Rating: Moody's: "Aaa"
(See "RATING" and "APPENDIX E-THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

OFFICIAL STATEMENT
Dated: August 5, 2026

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$58,375,000
LUFKIN INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Angelina County, Texas)
Unlimited Tax School Building Bonds, Series 2026

Dated Date: August 15, 2026 **Due: August 15, as shown on the inside cover page**

The Lufkin Independent School District Unlimited Tax School Building Bonds, Series 2026 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the Lufkin Independent School District (the "District") on May 2, 2026 and the order adopted by the Board of Trustees of the District (the "Board") on June 18, 2026 (the "Bond Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer of the District on August 5, 2026, which completed the sale of the Bonds. The Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limit as to rate or amount, against all taxable property located within the District. The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Interest on the Bonds will accrue from the Dated Date shown above and will be payable on February 15, 2027 and each August 15 and February 15 thereafter, until stated maturity or prior redemption. The Bonds will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Bonds for payment. Interest on the Bonds is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the Record Date, as defined herein.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring, and equipping of school buildings in the District (including the design, rehabilitation, renovation, expansion and improvement thereof) and the purchase of new school buses; (ii) designing, constructing, acquiring and equipping stadium facilities; and (iii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").

The Bonds maturing on and after August 15, 2037 are subject to redemption at the option of the District in whole or in part on August 15, 2036 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. In addition, the Term Bonds (hereinafter defined) are subject to mandatory sinking fund redemption as described herein. (See "THE BONDS - Optional Redemption" and "THE BONDS – Mandatory Sinking Fund Redemption").

MATURITY SCHEDULE
(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the initial underwriters named below subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about September 2, 2026 (the "Date of Delivery").

PIPER SANDLER & CO.

BOK FINANCIAL SECURITIES, INC. **JEFFERIES**

$58,375,000
LUFKIN INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Angelina County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

MATURITY SCHEDULE
Base CUSIP No.: 549815[(1)]

$24,750,000 Serial Bonds

Maturity Date 8/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix[(1)]
2027	$4,345,000	5.00%	2.67%	UU0
2028	1,270,000	5.00	2.78	UV8
2029	465,000	5.00	2.89	UW6
2030	485,000	5.00	3.00	UX4
2031	515,000	5.00	3.09	UY2
2032	535,000	5.00	3.19	UZ9
2033	565,000	5.00	3.28	VA3
2034	590,000	5.00	3.41	VB1
2035	620,000	5.00	3.50	VC9
2036	650,000	5.00	3.61	VD7
2037	685,000	5.00	3.70[(2)]	VE5
2038	720,000	5.00	3.81[(2)]	VF2
2039	1,025,000	5.00	3.93[(2)]	VG0
2040	1,505,000	5.00	3.97[(2)]	VH8
2041	1,580,000	5.00	4.04[(2)]	VJ4
2042	1,660,000	5.00	4.12[(2)]	VK1
2043	1,745,000	5.00	4.18[(2)]	VL9
2044	1,670,000	5.00	4.26[(2)]	VM7
2045	1,755,000	5.00	4.33[(2)]	VN5
2046	2,365,000	5.00	4.37[(2)]	VP0

(Interest to accrue from the Dated Date)

$33,625,000 Term Bonds

$14,775,000 5.00% Term Bond due August 15, 2051 – Price $102.921 (yield 4.63%) CUSIP Suffix No. VQ8 [(1) (2)]
$18,850,000 5.00% Term Bond due August 15, 2056 – Price $102.121 (yield 4.73%) CUSIP Suffix No. VR6 [(1) (2)]

(Interest to accrue from the Dated Date)

[(1)] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2026 CGS. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Financial Advisor, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

[(2)] Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2036, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

LUFKIN INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with District
Dr. James Hockenberry	Superintendent	31 Years	2 Years
Jill Gaston	Deputy Superintendent	23 Years	2 Years
Heath Wethington	Chief Financial Officer	13 Years	13 Years

CONSULTANTS AND ADVISORS

Orrick, Herrington & Sutcliffe LLP, Houston, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Carr, Riggs & Ingram, L.L.C., Lufkin, Texas	Certified Public Accountants

For additional information, contact:

Dr. James Hockenberry
Superintendent
Lufkin ISD
101 Cotton Square
Lufkin, Texas 75904
(936) 630-1906

Doug Whitt / Brian Grubbs
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1469
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District, the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency (the “TEA”) and the District, respectively, to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE AFFAIRS OF THE TEA DESCRIBED UNDER “APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”, AS SUCH INFORMATION WAS PROVIDED BY DTC AND TEA, RESPECTIVELY.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE “FORWARD-LOOKING STATEMENTS” HEREIN.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without this entire Official Statement.

The District	The Lufkin Independent School District (the "District") is a political subdivision of the State of Texas located in Angelina County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Bonds	The Bonds are being issued in the principal amount of $58,375,000 pursuant to the Constitution and general laws of the State of Texas, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 2, 2026 and the order adopted by the Board on June 18, 2026 (the "Bond Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms of the Bonds (the Pricing Certificate, together with the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer of the District on August 5, 2026, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring, and equipping of school buildings in the District (including the design, rehabilitation, renovation, expansion and improvement thereof) and the purchase of new school buses; (ii) designing, constructing, acquiring and equipping stadium facilities; and (iii) paying the costs of issuing the Bonds. (See "THE BONDS - Authorization and Purpose").
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company, New York, New York. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Bonds will constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Payments of principal and interest on the Bonds will be further secured by the corpus of the Permanent School Fund of Texas. (See "THE BONDS – Security", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Redemption	The Bonds maturing on and after August 15, 2037 are subject to redemption at the option of the District in whole or in part on August 15, 2036 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. In addition, the Term Bonds (hereinafter defined) are subject to mandatory sinking fund redemption as described herein. (See "THE BONDS - Optional Redemption" and "THE BONDS – Mandatory Sinking Fund Redemption").
Permanent School Fund Guarantee	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (defined herein), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "APPENDIX E – "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", "THE BONDS – Permanent School Fund Guarantee" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Rating	The Bonds are rated "Aaa" by Moody's Ratings ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. The District's unenhanced, underlying rating, including the Bonds, is "Aa2" by Moody's. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "RATING" herein.)
Tax Matters	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. (See "TAX MATTERS" herein.)
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about September 2, 2026.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been prepared by the Lufkin Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Angelina County, Texas, in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2026 (the "Bonds") identified on page ii hereof.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

There follows in this Official Statement descriptions of the Bonds and the Order (as defined below) and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Lufkin Independent School District, 101 Cotton Square, Lufkin, Texas 75904 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the Underwriters of the Bonds to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued in the principal amount of $58,375,000 pursuant to the Constitution and general laws of the State, including particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the District on May 2, 2026 (the "Election") and the Bond Order adopted on June 18, 2026 (the "Bond Order"). As permitted by Chapter 1371, the Board, in the Bond Order, delegated the authority to certain District officials (the "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms of the Bonds (the Pricing Certificate, and the Bond Order, are collectively referred to herein as the "Order"). The Pricing Certificate was executed by the Pricing Officer of the District on August 5, 2026, which completed the sale of the Bonds. Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring, and equipping of school buildings in the District (including the design, rehabilitation, renovation, expansion and improvement thereof) and the purchase of new school buses; (ii) designing, constructing, acquiring and equipping stadium facilities; and (iii) paying the costs of issuing the Bonds.

General Description

The Bonds are dated August 15, 2026 (the "Dated Date") and interest will accrue from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2027 and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of $5,000 of principal or any integral multiple thereof within a maturity.

Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's registration books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, New York, New York ("DTC"), payments of principal of and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Optional Redemption

The Bonds maturing on and after August 15, 2037, are subject to redemption, at the option of the District, in whole or in part, in principal amounts of $5,000 or integral multiples thereof, on August 15, 2036, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

Mandatory Sinking Fund Redemption

In addition to the optional redemption provision described above, the Bonds maturing on August 15 in each of the years 2051 and 2056 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity, and will be redeemed by the District, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on the dates and in the principal amounts shown in the following schedules:

Term Bonds August 15, 2051		Term Bonds August 15, 2056	
Date (8/15)	Amount	Date (8/15)	Amount
2047	$2,675,000	2052	$3,410,000
2048	2,805,000	2053	3,585,000
2049	2,950,000	2054	3,760,000
2050	3,095,000	2055	3,950,000
2051*	3,250,000	2056*	4,145,000

**Stated Maturity*

Approximately forty-five (45) days prior to each mandatory redemption date for any Term Bond, the Paying Agent/Registrar shall randomly select by lot or other customary method the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following August 15 from moneys set aside for that purpose in the Interest and Sinking Fund (as defined in the Bond Order). Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Bonds of the same maturity which, at least fifty (50) days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a notice of conditional redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE, HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

DTC Notices

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

The Bonds are direct and voted obligations of the District and are payable as to both principal and interest from an ad valorem tax annually levied, without legal limit as to rate or amount, on all taxable property within the District. The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the TEA (the “Commissioner”) for the guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed under the heading “APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of a payment default by the District, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund Guarantee.

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. (See “LEGAL MATTERS” and “APPENDIX C – FORM OF LEGAL OPINION OF BOND COUNSEL”).

Payment Record

The District has never defaulted on the payment of its bonded indebtedness.

Amendments

In the Order, the District has reserved the right to amend the Order without the consent of any holder for the purpose of amending or supplementing the Order to or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect of omission.

The Order further provides that the majority of owners of the Bonds shall have the right from time to time to approve any amendment not described above to the Order; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) extending the time or times of payment of the principal of or interest on the Bonds, reducing the principal amount, or the rate of interest thereon, or in any other way modifying the terms of payment of the principal of, premium, if any, or interest on the Bonds; (ii) giving any preference to any Bond over any other Bond, or (iii) reducing the minimum principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise) is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) pursuant to an escrow or trust agreement, cash and/or Defeasance Securities (defined below), the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest on the Bonds to the date of maturity or earlier redemption, if any; provided, however, that if any of such Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the Order. Any surplus amount not required to accomplish such defeasance shall be returned to the District. The Order provides that "Defeasance Securities" means (i) direct non-callable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; and (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded as being outstanding or unpaid. The District has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources		
Par Amount of Bonds	$	58,375,000.00
Accrued Interest		137,829.86
Reoffering Premium		2,439,910.45
Total Sources of Funds	$	60,952,740.31
Uses		
Deposit to Construction Fund	$	60,250,000.00
Costs of Issuance		262,781.44
Underwriters' Discount		302,129.01
Deposit to Interest and Sinking Fund		137,829.86
Total Uses of Funds	$	60,952,740.31

REGISTERED OWNERS' REMEDIES

The Order does not establish specific events of default with respect to the Bonds. If the District defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, including the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity, as permitted by Chapter 1371. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants, (2) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds) or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as, redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to The District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and Disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Bond certificates will be printed and delivered to bond holders.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Order, the District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid.

Successor Paying Agent/Registrar

Provision is made in the Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or any state or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Initial Registration

Definitive Bonds will be initially registered and delivered only to CEDE & CO., the nominee of DTC pursuant to the Book-Entry-Only System described herein.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

Record Date For Interest Payment

The record date ("Record Date") for determining the person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the month next preceding each Interest Payment Date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Such Special Record Date shall be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five days prior to the Special Record Date, to each Owner of record of an affected Bond as of the close of business on the Business Day prior to the mailing of such notice.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to transfer or exchange any Bond called for redemption in whole or in part during the 45-day period immediately prior to the date fixed for redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the Owner of the unredeemed portion of a Bond called for redemption in part.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See “APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix E is incorporated herein and made a part hereof for all purposes.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the “Court”) has issued decisions assessing the constitutionality of the Texas public school finance system (the “Finance System”). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the “Legislature”) from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to “establish and make suitable provision for the support and maintenance of an efficient system of public free schools,” or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court’s previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal*., 490 S.W.3d 826 (Tex. 2016) (“*Morath I*”). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that “[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements.” The Court also noted that:

> Lawmakers decide if laws pass, and judges decide if those laws pass muster. But our lenient standard of review in this policy-laden area counsels modesty. The judicial role is not to second-guess whether our system is optimal, but whether it is constitutional. Our Byzantine school funding “system” is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements.

Current Litigation Relating to the Texas Public School Finance System

On July 22, 2026, Midland Independent School District filed a suit in the 126th Judicial District Court of Travis County, Texas, styled *Midland Independent School District, et al. v. Mike Morath, Commissioner of Education, et al.* (Cause No. D-1-GN-26-006002), against Mike Morath, in his official capacity as Commissioner of Education, and the State of Texas (“*Morath II”*). *Morath II* is an original action for declaratory judgment and challenges the constitutionality of the Finance System.

The District is not a party to this litigation, and at this time, the District is still in the process of obtaining documentation regarding this litigation and reviewing the same. The District can make no representations or predictions concerning the outcome of this litigation or the effect, if any, that this litigation may have on the Finance System, or on the District’s financial condition, revenues, or operations. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” herein.

Possible Effects of Changes in Law on District Bonds

The Court’s decision in *Morath I* upheld the constitutionality of the Finance System but noted that the Finance System was “undeniably imperfect”. While not compelled by the Morath I decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality “would not, however, affect the district’s authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system’s unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions” (collectively, the “Contract Clauses”), which prohibit the enactment of laws that impair prior obligations of contracts.

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of *Morath II,* or any future legislation, or any litigation that may be associated with such legislation, on the District’s financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district's debt service. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize, on a per student basis, local funding generated by a school district's M&O tax rate.

2025 Legislative Sessions

The regular session of the 89th Texas Legislature (the "89th Regular Session") commenced on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025 and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025 and ended on September 4, 2025 (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions").

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to a Statewide election held on November 4, 2025, and legislation passed by both houses of the Legislature there is an increase: (1) in the State mandated general homestead exemption from $100,000 to $140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000, and (3) the exemption for tangible personal property used in the "production of income" from $2,500 to $125,000. Additionally, the Legislature passed legislation that authorizes roughly $8.5 billion in funding for public schools and provides districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as providing districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective on September 1, 2025, when the state fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2026-2027 biennium may not exceed $1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires that the amount appropriated for purposes of the program for a state fiscal biennium must be established by the legislature by appropriation for that biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding.

The District is still in the process of reviewing legislation passed during the 2025 Legislative Session. At this time, the District cannot make any representations as to the full impact of such legislation. Further, the District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate", which is any local M&O tax effort in excess of its Tier One Tax Rate. Formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein.

State Compression Percentage

The State Compression Percentage is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2026, the State Compression Percentage is set at 63.22%.

Maximum Compressed Tax Rate

The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district's current year SCP multiplied by $1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year's MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, the Legislature reduced the MCR, establishing $0.6322 as the maximum rate and $0.5689 as the floor.

Tier One Tax Rate

A school district's Tier One Tax Rate is defined as a school district's M&O tax rate levied that does not exceed the school district's MCR.

Enrichment Tax Rate

The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional $0.17. The Enrichment Tax Rate is divided into two components: (i) "Golden Pennies" which are the first $0.08 of tax effort in excess of a school district's Tier One Tax Rate; and (ii) "Copper Pennies" which are the next $0.09 in excess of a school district's Tier One Tax Rate plus Golden Pennies.

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR.

State Funding for School Districts

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the actual M&O revenues generated by the school district's respective M&O tax rates.

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"), Tier Two funding may not be used for the payment of debt service or capital outlay.

The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Legislature.

Tier One

Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance, other than students in average daily attendance who do not reside in the district and are enrolled in a full-time virtual program, for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the educational programs the students are being service in, to make up most of a school district's Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at $55. In subsequent biennia, the TEA will calculate the GYIA, which will be determined as the estimated cost to the State to maintain the guaranteed Golden Pennies yield of State and local funds per weighted student per cent of tax effort at the 96th percentile. Effectively, the Legislature has adopted a policy change so that the Basic Allotment will automatically increase in future biennia, at a rate akin to the level of property values increases across the State.

The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further the States' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher compensation incentive allotment to increase teacher retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by the Basic Allotment, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

The fast growth allotment weights are 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to $320 million for each year of the 2026-2027 State fiscal biennium school year.

Beginning with the 2026-2027 fiscal biennium, school districts will also receive an annual allotment of $106 per enrolled student. The funds under this allotment may only be used for specific operational costs related to transportation, hiring retired teachers, providing health insurance and employee benefits and paying for payroll taxes, contributions and other costs related to member contributions under the Teacher Retirement System of Texas, utilities, and property and casualty insurance.

Tier Two

Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the Basic Allotment multiplied by 0.02084. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Golden Penny levied of $129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield of $49.72 per student in WADA for each Copper Penny levied.

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment

The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student percent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the Legislature did appropriate funds for new IFA awards will continue to be funded.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the lesser of (i) $40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of $60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were $35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first $0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the Legislature for the 2026-2027 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent the bonds of a school district are eligible for hold harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption (see "State Funding for School Districts" and - Tax Rate and Funding Equity" below).

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the 2025 Legislative Sessions, the Legislature appropriated funds in the amount of $150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

The Commissioner may proportionally reduce the amount of funding a school district receives under the Foundation School Program and the ADA calculation if the school district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

For the 2026-2027 fiscal biennium, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue in excess of entitlement, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement". Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Recapture is measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement.

Options for Local Revenue Levels in Excess of Entitlement

Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

Furthermore, a school district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a school district fails to exercise a permitted option, the Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor school district or, if necessary, consolidate the school district with a property-poor school district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring school district's existing debt.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State Law. As a district with local revenues less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's "excess local revenues" must be tested for each future school year and, if it exceeds the maximum permitted level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted value in future school years, it will be required to exercise one or more of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ration of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of an annexing district.

For a detailed discussion of State funding for school district see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts."

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to, and prospective investors are encouraged to review, Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Angelina County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

Unless extended by Legislature, through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.32 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates (see "AD VALOREM TAX PROCEDURES – District and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to school district taxes imposed for general elementary and secondary public school purposes, (1) a $140,000 exemption of the appraised value of all homesteads, (2) a $60,000 exemption of the appraised value of the residence homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption (described in (1) above) that was granted in tax year 2022 through December 31, 2027.

The total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes on the residence homestead of a person who is sixty-five (65) years old or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the MCR of the M&O taxes imposed for those purposes on the homestead. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. From and after the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Legislature amended Section 11.35 Tax Code to clarify that "damage" for the purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school district's Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district's Tier Two entitlement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts").

Tax Limitation Agreements

The Texas Economic Development Act (former Chapter 313, Texas Tax Code, as amended) previously allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403") and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt service tax securing a series of bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

For a discussion of how the various exemptions described above are applied by the District, see " THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy M&O taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on October 27, 1962 under Chapter 20, Texas Education Code (now codified as Section 45.003, Texas Education Code).

The maximum M&O tax rate per $100 of taxable value that may be adopted by an independent school district is the sum of $0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, the highest possible MCR for an independent school district is $0.93. (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein).

For the State fiscal year ending in 2026 (the 2025-2026 school year), the State Compression Percentage was set at 63.22%, resulting in a maximum MCR of $0.6322 per $100 of taxable value. The District's Local Compressed rate was lower than the State Compressed rate resulting in a MCR of $0.6169 per $100 of taxable value. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts" herein.

Furthermore, a school district cannot annually increase its tax rate in excess of the school district's Voter-Approval Tax Rate without submitting such tax rate to an election and a majority of the voters voting at such election approving the adopted rate. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" herein.

I&S Tax Rate Limitations

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of one or more propositions submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides a tax unlimited as to rate or amount for the support of school district bonded indebtedness (see "THE BONDS – Security").

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The Bonds are issued as "new money bonds" and are subject to the $0.50 threshold tax rate test. In connection with prior bond issues and in connection with the issuance of the Bonds, the District has not used projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

A school district's total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the "Voter-Approval Tax Rate", as described below.

A school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be adopted not later than the seventy-first (71st) day before the next occurring November uniform election date. A school district's failure to adopt a tax rate equal to or less than the Voter-Approval Tax Rate by September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll, will result in the tax rate for such school district for the tax year to be the lower of the "no-new-revenue tax rate" calculated for that tax year or the tax rate adopted by the school district for the preceding tax year. A school district's failure to adopt a tax rate in excess of the Voter-Approval Tax Rate on or prior to the seventy-first (71st) day before the next occurring November uniform election date, will result in the school district adopting a tax rate equal to or less than its Voter-Approval Tax Rate by the later of September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll. "No-new-revenue tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

Effective for the 2026 tax year and thereafter, a district's current I&S tax rate defaults to a rate that provides the minimum dollar amount required to service the school district's debt for the current year (taking into account State assistance for debt service and any excess collections from the prior year not used to service debt), unless a higher rate is approved in accordance with Section 26.05(a-1), Texas Tax Code. Under Section 26.05(a-1), Texas Tax Code, the governing body of a school district may approve an I&S tax rate that exceeds such minimum rate only if (i) the rate is proposed by a motion that states the minimum rate, the proposed rate, the difference between the two rates, and the purpose for which the excess revenue will be used, and (ii) the motion is approved by at least 60 percent of the members of the governing body. If the governing body approves a higher I&S rate under such procedure, that rate is considered the current I&S rate for the applicable tax year, and the Voter-Approval Tax Rate is recalculated to reflect the higher I&S tax rate. This procedure does not limit the District's obligation to levy taxes at a rate sufficient to pay debt service on its outstanding obligations, including the Bonds. However, this tax rate setting limitation could constrain the District's ability to create a surplus from which the Bonds could be repaid in the event of unexpected delays in the receipt of I&S taxes.

The governing body of a school district generally cannot adopt a tax rate exceeding the school district's Voter-Approval Tax Rate without approval by a majority of the voters approving the higher rate at an election to be held on the next uniform election date. Further, subject to certain exceptions for areas declared disaster areas, State law requires the board of trustees of a school district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the Voter-Approval Tax Rate and sets certain parameters for conducting and disclosing the results of such efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following the year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the school district's Voter-Approval Tax Rate for such year may not be considered by the school district in the calculation of its subsequent Voter-Approval Tax Rate.

Except with respect to the required procedure to exceed the default minimum I&S tax rate (as discussed above), the calculation of the Voter-Approval Tax Rate does not limit or impact the District's ability to set an I&S tax rate in each year sufficient to pay debt service on all of the District's tax-supported debt obligations, including the Bonds.

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the school district if the school district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c), (c-1), (c-2), and (d), and, if applicable, subsection (i), and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the school district delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

A school district must annually calculate and prominently post on its internet website, and submit to the county tax assessor-collector for each county in which all or part of the school district is located its Voter-Approval Tax Rate in accordance with forms prescribed by the State Comptroller.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

Each Appraisal District has the responsibility for appraising property in the District as well as other taxing units in the respective county. Each Appraisal District is governed by a board of directors, members of which are both appointed by the governing bodies of various political subdivisions that participate in each respective Appraisal District and elected by voters within each respective county.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District does not collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Angelina County Tax Office.

The District does not allow split payments of taxes on homesteads and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone. The District does not grant tax abatements.

The District does not grant the additional local option exemption of up to 20% of the market value of residence homesteads.

The District has not taken action to tax freeport property. The District has not taken action to continue to tax goods-in-transit.

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended June 30, 2025, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. For a discussion of the TRS retirement plan, see "Note 12. Pension Plan" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

In addition to its participation in TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see "Note 13. Defined Other Post-Employment Benefit Plans" in the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

As a result of its participation in TRS and the TRS-Care Retired Plan and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

RATING

The Bonds are rated "Aaa" by Moody's Ratings ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the TEA. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's unenhanced, underlying rating, including the Bonds, is "Aa2" by Moody's.

An explanation of the significance of such rating may be obtained from the respective rating company. The rating on the Bonds reflects only the view of the respective rating company at the time the rating is given, and the District makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of such rating company, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Bonds.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the District. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

LEGAL MATTERS

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas, Texas. The legal fee to be paid to the Underwriters' counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Except as noted below, Bond Counsel was not requested to participate, and did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee", "Payment Record", and "Sources and Uses of Funds," as to which no opinion will be expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" (except the information under the subcaption "Possible Effects of Changes in Law on District Bonds, as to which no opinion is expressed), "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", (except under the subcaption "Possible Effects of Wealth Transfer Provisions on the District's Financial Condition," as to which no opinion will be expressed) "TAX RATE LIMITATIONS" (except for the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations to which no opinion will be expressed"), "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereunder), "TAX MATTERS", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings," as to which no opinion will be expressed) and excluding any material that may be treated as included under such captions or subcaptions by cross reference or reference to other documents or sources, and such firm is of the opinion that insofar as such statements expressly summarize certain provisions of the Bonds and the Order and certain matters addressed in the Bond Opinion, such statements are accurate in all material respects.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future federal or state legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number

("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

INVESTMENT POLICIES

Investments

The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law, the District is authorized to make investments meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA"), which currently include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. Texas law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof).

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution. The District has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

State law also requires that District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest District funds without express written authority from the Board.

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt by written instrustment a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

As of March 31, 2026, the District had approximately $30,630,118 (unaudited) invested in Tex Pool (a government investment pool that general has the characteristics of a money-market mutual fund) and approximately $6,952,741 (unaudited) invested at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities act of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriters written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

CYBERSECURITY RISK MANAGEMENT

The District's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District's operations and/or financial condition.

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). For a description of the continuing disclosure obligations of the TEA, see "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information provided to the MSRB will be available to the public free of charge via the MSRB's Electronic Municipal Market Access System at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12.

The District's current fiscal year end is June 30. Accordingly, the Annual Operating Report must be provided by the last day of December in each year, and the Financial Statements must be provided by June 30 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the

Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB. Neither the Bonds nor the Order make any provision for a bond trustee, debt service reserves, credit enhancement (except for the Permanent School Fund guarantee), or liquidity enhancement.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

Limitations and Amendments

The District has agreed to update information and to provide notices of events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Bonds in the initial primary offering in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

The District is of the view that during the past five years it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule 15c2-12.

LITIGATION

In the opinion of District officials, except as may be described in this Official Statement, the District is not a party to any litigation or other proceeding pending or to their knowledge threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $302,129.01 plus accrued interest from the Dated Date to the Date of Delivery. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

Piper Sandler & Co., one of the Underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

One of the Underwriters of the Bonds is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

Jefferies LLC ("Jefferies"), one of the underwriters of the Bonds, and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, Jefferies and its affiliates may have certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the course of their various business activities, Jefferies and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. Jefferies and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to the clients that they should acquire, long and/or short positions in such assets, securities and instruments.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in Rule 15c2-12.

The Bond Order authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Underwriters. This Official Statement has been approved by the Pricing Officer of the District for distribution in accordance with the provisions of Rule 15c2-12.

/s/ Heath Wethington

Pricing Officer

APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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LUFKIN INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2026/27 Total Valuation		$ 5,110,109,184
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 1,091,700,166	
State Over-65 Exemption	135,057,046	
Disabled Exemption	30,986,301	
Veterans Exemption	2,588,742	
Veterans Surviving Spouse Exemption	3,092,157	
Surviving Spouse of First Responder Exemption	78,640	
Surviving Spouse Killed in Action Exemption	82,950	
Freeport Exemption	40,556,415	
Pollution Control Exemption	22,760,520	
Solar / Wind Exemption	1,381,179	
Business Property Exemptions	95,169,500	
Prorations & Other Partial Exemptions	1,364,108	
Productivity Loss	336,878,063	
Homestead Cap Loss	33,176,772	
Non-Homestead (23.231) Cap Loss	35,388,789	
	$ 1,830,261,348	
2026/27 Certified Net Taxable Valuation		$ 3,279,847,836

(1) Source: Certified Values from the Angelina County Appraisal District as of July 23, 2026.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $126,224,177 in 2025/26.

VOTED GENERAL OBLIGATION DEBT

Unlimited Tax Bonds Outstanding		$ 82,875,000
Plus: The Bonds		58,375,000
Total Unlimited Tax Bonds		141,250,000
Less: Interest & Sinking Fund Balance (As of June 30, 2025) [1]		(7,865,312)
Net General Obligation Debt		$ 133,384,688
Ratio of Net G.O. Debt to Net Taxable Valuation [2]	4.07%	
2026 Population Estimate [3]	40,610	
Per Capita Net Taxable Valuation	$80,765	
Per Capita Net G.O. Debt	$3,285	

(1) Source: Lufkin ISD Audited Financial Statements.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "DEBT SERVICE REQUIREMENTS" and the "Audited Financial Report Fiscal Year Ended June 30, 2025" in this Official Statement for more information relative to the District's obligations.
(3) Source: The Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [7] Current [8]	Total [8]
2010/11	$ 2,218,084,293 [1]	$ 1.2000	97.26%	100.50%
2011/12	2,249,642,257 [1]	1.2050	96.05%	98.64%
2012/13	2,289,951,997 [1]	1.2100	97.42%	99.14%
2013/14	2,362,642,432 [1]	1.2070	97.36%	102.72%
2014/15	2,367,001,087 [1]	1.2130	97.65%	100.23%
2015/16	2,357,544,513 [1] [2]	1.2130	97.46%	99.59%
2016/17	2,321,207,858 [1] [2]	1.2130	97.87%	100.52%
2017/18	2,310,629,889 [1] [2]	1.2130	97.73%	99.50%
2018/19	2,464,192,052 [1] [2]	1.4500	97.55%	99.27%
2019/20	2,637,602,778 [1] [2]	1.3183 [9]	97.94%	99.82%
2020/21	2,792,427,028 [1] [2]	1.3241	98.33%	100.60%
2021/22	3,020,704,088 [1] [2]	1.2533	97.83%	99.53%
2022/23	3,259,659,521 [1] [3]	1.1635	97.36%	99.10%
2023/24	3,406,231,311 [1] [4]	0.9275	96.41%	99.01%
2024/25	3,444,819,664 [1] [4]	0.9734	97.15% [10]	100.69% [10]
2025/26	3,283,770,758 [1] [5]	0.9714	(In Process of Collection)	
2026/27	3,279,847,836 [5] [6]			

(1) Source: Comptroller of Public Accounts - Property Tax Division. See the Assessed Valuation section in this Appendix for additional information.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000.
(5) The passage of a Texas constitutional amendment on November 4, 2025 increased the homestead exemption from $100,000 to $140,000.
(6) Source: Certified Values from the Angelina County Appraisal District as of July 23, 2026.
(7) Source: Lufkin ISD Audited Financial Statements.
(8) Excludes penalties and interest.
(9) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2025/26 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.
(10) For the Ten Months Ended June 30, 2025. The District changed its fiscal year end from August 31 to June 30 beginning in the 2024-25 fiscal year.

TAX RATE DISTRIBUTION [1]

	2021/22	2022/23	2023/24	2024/25	2025/26
Maintenance & Operations [2]	$0.9913	$0.9485	$0.7575	$0.7552	$0.7552
Debt Service	$0.2620	$0.2150	$0.1700	$0.2182	$0.2162
Total Tax Rate	$1.2533	$1.1635	$0.9275	$0.9734	$0.9714

(1) On November 3, 2015, the District successfully held a tax ratification election at which the voters of the District approved a maintenance and operations tax not to exceed $1.17.
(2) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2025/26 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding [1]	Ratio Debt to A.V. [2]
2010/11	$ 2,218,084,293	$ 51,222,969	2.31%
2011/12	2,249,642,257	54,672,969	2.43%
2012/13	2,289,951,997	52,142,969	2.28%
2013/14	2,362,642,432	52,502,969	2.22%
2014/15	2,367,001,087	49,845,295	2.11%
2015/16	2,357,544,513	47,852,684	2.03%
2016/17	2,321,207,858	45,324,992	1.95%
2017/18	2,310,629,889	80,076,539	3.47%
2018/19	2,464,192,052	75,944,999	3.08%
2019/20	2,637,602,778	96,555,000	3.66%
2020/21	2,792,427,028	92,405,000	3.31%
2021/22	3,020,704,088	97,685,000	3.23%
2022/23	3,259,659,521	93,740,000	2.88%
2023/24	3,406,231,311	90,255,000	2.65%
2024/25	3,444,819,664	86,635,000	2.51%
2025/26	3,283,770,758	82,875,000	2.52%
2026/27	3,279,847,836 [3]	133,005,000 [4]	4.06%

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th. Excludes General Fund Obligations, which are not voted unlimited tax debt.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement and "DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended June 30, 2025" in Appendix D for more information.
(3) Source: Certified Values from the Angelina County Appraisal District as of July 23, 2026.
(4) Includes the Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
Angelina County	$ 6,120,000	46.01%	$ 2,815,812
Angelina County JCD	7,035,000	46.01%	3,236,804
Hudson, City of	-	0.57%	-
Lufkin, City of	11,822,660	96.95%	11,462,069
Total Overlapping Debt [1]			$ 17,514,684
Lufkin Independent School District [2]			133,384,688
Total Direct & Overlapping Debt [1] [2]			$ 150,899,372
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation		4.60%	
Per Capita Direct & Overlapping Debt		$3,716	

(1) Equals gross-debt less self-supporting debt.
(2) Includes the Bonds. Excludes General Fund Obligations, which are not voted unlimited tax debt.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

PRINCIPAL TAXPAYERS (1)

2025/26 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
West Fraser Wood Products Inc.	Lumber Processing	$ 114,245,820	3.48%
Aethon Energy Operating	Oil & Gas	80,426,767	2.45%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	65,203,840	1.99%
Pilgrim Industries Inc.	Meat Products	46,019,755	1.40%
Brookshire Bros Inc.	Grocery Store	29,305,030	0.89%
Lufkin Gears, LLC	Oil & Gas	26,274,682	0.80%
Natural Gas Pipeline	Pipeline	25,720,350	0.78%
Lufkin Mall Realty Holding LLC	Shopping Center/Mall	24,634,890	0.75%
Union Pacific Railroad Co.	Railroad	19,764,680	0.60%
Georgia Pacific Chemicals LLC	Chemical Plant	14,843,910	0.45%
		$ 446,439,724	13.60%

2024/25 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
West Fraser Wood Products Inc.	Lumber Processing	$ 127,025,030	3.69%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	52,290,000	1.52%
Pilgrim Industries Inc.	Meat Products	43,310,315	1.26%
Brookshire Bros Inc.	Grocery Store	29,763,820	0.86%
Natural Gas Pipeline	Pipeline	26,597,510	0.77%
Lufkin Gears, LLC	Oil & Gas	25,513,165	0.74%
Aethon Energy Operating	Oil & Gas	25,126,742	0.73%
Lufkin Mall Realty Holding LLC	Shopping Center/Mall	19,923,130	0.58%
Twin Disc	Shipping Freight	19,631,250	0.57%
Union Pacific Railroad Co.	Railroad	18,550,830	0.54%
		$ 387,731,792	11.26%

2023/24 Top Ten Taxpayers

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Angelina Forest Products	Lumber Processing	$ 143,330,120	4.21%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	55,269,120	1.62%
Pilgrim Industries Inc.	Meat Products	45,047,368	1.32%
Brookshire Bros Inc.	Grocery Store	31,645,650	0.93%
Lufkin Gears, LLC	Oil & Gas	30,542,905	0.90%
Natural Gas Pipeline	Pipeline	27,379,430	0.80%
Banc of America Leasing and Capital LLC	Financial/Banking	22,661,180	0.67%
Sterling Site Access Solutions, LLC	Industrial Manufacturing	20,057,130	0.59%
Lufkin Mall Realty Holding LLC	Shopping Center/Mall	19,950,000	0.59%
Twin Disc	Shipping Freight	19,716,650	0.58%
		$ 415,599,553	12.20%

(1) Source: Comptroller of Public Accounts - Property Tax Division.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Category	2026/27 (1)	% of Total	2025/26 (2)	% of Total	2024/25 (2)	% of Total
Real, Residential, Single-Family	$ 2,414,169,311	47.24%	$ 2,382,874,338	47.65%	$ 2,295,014,783	47.73%
Real, Residential, Multi-Family	123,578,399	2.42%	122,553,326	2.45%	120,114,470	2.50%
Real, Vacant Lots/Tracts	94,747,871	1.85%	94,731,912	1.89%	98,624,087	2.05%
Real, Qualified Land & Improvements	353,066,826	6.91%	347,266,306	6.94%	347,468,836	7.23%
Real, Non-Qualified Land & Improvements	224,383,716	4.39%	223,403,487	4.47%	217,321,600	4.52%
Real, Commercial & Industrial	897,961,449	17.57%	867,423,983	17.35%	825,881,979	17.18%
Oil & Gas	84,645,132	1.66%	105,966,675	2.12%	41,935,139	0.87%
Utilities	162,759,020	3.19%	132,859,080	2.66%	125,634,340	2.61%
Tangible Personal, Commercial	297,575,560	5.82%	292,527,720	5.85%	307,244,710	6.39%
Tangible Personal, Industrial	380,326,520	7.44%	360,116,500	7.20%	350,193,750	7.28%
Tangible Personal, Mobile Homes & Other	34,952,260	0.68%	32,948,400	0.66%	28,724,990	0.60%
Tangible Personal, Residential Inventory	674,810	0.01%	812,990	0.02%	941,670	0.02%
Tangible Personal, Special Inventory	41,268,310	0.81%	36,784,110	0.74%	49,089,460	1.02%
Total Appraised Value	$ 5,110,109,184	100.00%	$ 5,000,268,827	100.00%	$ 4,808,189,814	100.00%
Less:						
Homestead Cap Adjustment	$ 33,176,772		$ 57,032,352		$ 87,508,786	
Non-Homestead (23.231) Cap Adjustment	35,388,789		41,037,070		36,238,513	
Productivity Loss	336,878,063		331,335,878		330,574,590	
Exemptions	1,424,817,724 (3)		1,287,092,769 (3)		909,048,261 (4)	
Total Exemptions/Deductions (7)	$ 1,830,261,348		$ 1,716,498,069		$ 1,363,370,150	
Net Taxable Assessed Valuation	$ 3,279,847,836		$ 3,283,770,758		$ 3,444,819,664	

Category	2023/24 (2)	% of Total	2022/23 (2)	% of Total	2021/22 (2)	% of Total
Real, Residential, Single-Family	$ 2,231,577,126	46.77%	$ 1,902,811,534	47.06%	$ 1,684,294,139	46.28%
Real, Residential, Multi-Family	104,627,890	2.19%	93,611,150	2.32%	79,456,940	2.18%
Real, Vacant Lots/Tracts	99,139,549	2.08%	57,670,474	1.43%	58,073,801	1.60%
Real, Qualified Land & Improvements	353,755,772	7.41%	262,484,254	6.49%	264,570,724	7.27%
Real, Non-Qualified Land & Improvements	206,568,191	4.33%	170,926,109	4.23%	150,329,642	4.13%
Real, Commercial & Industrial	827,674,997	17.35%	625,802,917	15.48%	570,190,370	15.67%
Oil & Gas	43,991,704	0.92%	58,948,375	1.46%	110,362,826	3.03%
Utilities	126,610,780	2.65%	125,357,640	3.10%	119,014,000	3.27%
Tangible Personal, Commercial	315,751,630	6.62%	287,161,440	7.10%	272,489,560	7.49%
Tangible Personal, Industrial	397,016,120	8.32%	397,371,170	9.83%	275,743,530	7.58%
Tangible Personal, Mobile Homes & Other	28,849,700	0.60%	22,033,120	0.54%	21,675,742	0.60%
Tangible Personal, Residential Inventory	1,044,160	0.02%	1,184,280	0.03%	1,327,840	0.04%
Tangible Personal, Special Inventory	34,796,070	0.73%	37,653,410	0.93%	32,076,700	0.88%
Total Appraised Value	$ 4,771,403,689	100.00%	$ 4,043,015,873	100.00%	$ 3,639,605,814	100.00%
Less:						
Homestead Cap Adjustment	$ 158,233,535		$ 84,410,992		$ 66,566,518	
Non-Homestead (23.231) Cap Adjustment	-		-		-	
Productivity Loss	335,295,852		244,554,554		248,930,987	
Exemptions	871,642,991 (4)		454,390,806 (5)		303,404,221 (6)	
Total Exemptions/Deductions (7)	$ 1,365,172,378		$ 783,356,352		$ 618,901,726	
Net Taxable Assessed Valuation	$ 3,406,231,311		$ 3,259,659,521		$ 3,020,704,088	

(1) Source: Certified Values from the Angelina County Appraisal District as of July 23, 2026.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(3) The passage of a Texas constitutional amendment on November 4, 2025 increased the homestead exemption from $100,000 to $140,000.
(4) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000.
(5) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(6) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(7) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

PRINCIPAL REPAYMENT SCHEDULE [1]

Fiscal Year Ending 8/31	Outstanding Bonds	Plus: The Bonds	Total	Bonds Unpaid At Year End	Percent of Principal Retired
2027	$ 3,900,000.00	$ 4,345,000.00	$ 8,245,000.00	$ 133,005,000.00	5.84%
2028	4,065,000.00	1,270,000.00	5,335,000.00	127,670,000.00	9.61%
2029	4,295,000.00	465,000.00	4,760,000.00	122,910,000.00	12.98%
2030	4,450,000.00	485,000.00	4,935,000.00	117,975,000.00	16.48%
2031	4,600,000.00	515,000.00	5,115,000.00	112,860,000.00	20.10%
2032	4,765,000.00	535,000.00	5,300,000.00	107,560,000.00	23.85%
2033	4,900,000.00	565,000.00	5,465,000.00	102,095,000.00	27.72%
2034	5,065,000.00	590,000.00	5,655,000.00	96,440,000.00	31.72%
2035	5,215,000.00	620,000.00	5,835,000.00	90,605,000.00	35.85%
2036	5,375,000.00	650,000.00	6,025,000.00	84,580,000.00	40.12%
2037	5,540,000.00	685,000.00	6,225,000.00	78,355,000.00	44.53%
2038	5,710,000.00	720,000.00	6,430,000.00	71,925,000.00	49.08%
2039	5,020,000.00	1,025,000.00	6,045,000.00	65,880,000.00	53.36%
2040	3,770,000.00	1,505,000.00	5,275,000.00	60,605,000.00	57.09%
2041	3,885,000.00	1,580,000.00	5,465,000.00	55,140,000.00	60.96%
2042	3,995,000.00	1,660,000.00	5,655,000.00	49,485,000.00	64.97%
2043	4,105,000.00	1,745,000.00	5,850,000.00	43,635,000.00	69.11%
2044	1,840,000.00	1,670,000.00	3,510,000.00	40,125,000.00	71.59%
2045	1,885,000.00	1,755,000.00	3,640,000.00	36,485,000.00	74.17%
2046	495,000.00	2,365,000.00	2,860,000.00	33,625,000.00	76.19%
2047	-	2,675,000.00	2,675,000.00	30,950,000.00	78.09%
2048	-	2,805,000.00	2,805,000.00	28,145,000.00	80.07%
2049	-	2,950,000.00	2,950,000.00	25,195,000.00	82.16%
2050	-	3,095,000.00	3,095,000.00	22,100,000.00	84.35%
2051	-	3,250,000.00	3,250,000.00	18,850,000.00	86.65%
2052	-	3,410,000.00	3,410,000.00	15,440,000.00	89.07%
2053	-	3,585,000.00	3,585,000.00	11,855,000.00	91.61%
2054	-	3,760,000.00	3,760,000.00	8,095,000.00	94.27%
2055	-	3,950,000.00	3,950,000.00	4,145,000.00	97.07%
2056	-	4,145,000.00	4,145,000.00	-	100.00%
Total	$ 82,875,000.00	$ 58,375,000.00	$ 141,250,000.00		

(1) The Bonds are illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends June 30th.

MAINTENANCE TAX NOTE DEBT SERVICE REQUIREMENTS [1] [2]

Fiscal Year Ending 6/30	Maintenance Tax Notes, Series 2021 Principal	Interest	Total	Maintenance Tax Notes Unpaid At Year End	Percent of Principal Retired
2027	$ 470,000.00	$ 29,200.00	$ 499,200.00	$ 2,450,000.00	16.10%
2028	480,000.00	22,100.00	502,100.00	1,970,000.00	32.53%
2029	485,000.00	17,275.00	502,275.00	1,485,000.00	49.14%
2030	490,000.00	12,400.00	502,400.00	995,000.00	65.92%
2031	495,000.00	7,475.00	502,475.00	500,000.00	82.88%
2032	500,000.00	2,500.00	502,500.00	-	100.00%
	$ 2,920,000.00	$ 90,950.00	$ 3,010,950.00		

(1) General Fund Obligations are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District.
(2) Please see the Audited Financial Statements for additional information.

DEBT SERVICE REQUIREMENTS [(1)]

Fiscal Year Ending 8/31	Outstanding Debt Service	Plus: The Bonds [(2)] Principal	Interest	Total	Combined Total [(2) (3)]
2027	$ 6,558,756.28	$ 4,345,000.00	$ 2,918,750.00	$ 7,263,750.00	$ 13,822,506.28
2028	6,551,906.28	1,270,000.00	2,701,500.00	3,971,500.00	10,523,406.28
2029	6,612,556.28	465,000.00	2,638,000.00	3,103,000.00	9,715,556.28
2030	6,616,568.78	485,000.00	2,614,750.00	3,099,750.00	9,716,318.78
2031	6,611,750.02	515,000.00	2,590,500.00	3,105,500.00	9,717,250.02
2032	6,619,200.02	535,000.00	2,564,750.00	3,099,750.00	9,718,950.02
2033	6,617,893.76	565,000.00	2,538,000.00	3,103,000.00	9,720,893.76
2034	6,620,668.76	590,000.00	2,509,750.00	3,099,750.00	9,720,418.76
2035	6,618,656.26	620,000.00	2,480,250.00	3,100,250.00	9,718,906.26
2036	6,620,418.76	650,000.00	2,449,250.00	3,099,250.00	9,719,668.76
2037	6,618,141.26	685,000.00	2,416,750.00	3,101,750.00	9,719,891.26
2038	6,612,636.26	720,000.00	2,382,500.00	3,102,500.00	9,715,136.26
2039	5,735,688.76	1,025,000.00	2,346,500.00	3,371,500.00	9,107,188.76
2040	4,340,171.26	1,505,000.00	2,295,250.00	3,800,250.00	8,140,421.26
2041	4,345,298.76	1,580,000.00	2,220,000.00	3,800,000.00	8,145,298.76
2042	4,341,693.76	1,660,000.00	2,141,000.00	3,801,000.00	8,142,693.76
2043	4,332,595.00	1,745,000.00	2,058,000.00	3,803,000.00	8,135,595.00
2044	1,944,055.00	1,670,000.00	1,970,750.00	3,640,750.00	5,584,805.00
2045	1,943,525.00	1,755,000.00	1,887,250.00	3,642,250.00	5,585,775.00
2046	506,880.00	2,365,000.00	1,799,500.00	4,164,500.00	4,671,380.00
2047	-	2,675,000.00	1,681,250.00	4,356,250.00	4,356,250.00
2048	-	2,805,000.00	1,547,500.00	4,352,500.00	4,352,500.00
2049	-	2,950,000.00	1,407,250.00	4,357,250.00	4,357,250.00
2050	-	3,095,000.00	1,259,750.00	4,354,750.00	4,354,750.00
2051	-	3,250,000.00	1,105,000.00	4,355,000.00	4,355,000.00
2052	-	3,410,000.00	942,500.00	4,352,500.00	4,352,500.00
2053	-	3,585,000.00	772,000.00	4,357,000.00	4,357,000.00
2054	-	3,760,000.00	592,750.00	4,352,750.00	4,352,750.00
2055	-	3,950,000.00	404,750.00	4,354,750.00	4,354,750.00
2056	-	4,145,000.00	207,250.00	4,352,250.00	4,352,250.00
	$ 106,769,060.26	$ 58,375,000.00	$ 57,443,000.00	$ 115,818,000.00	$ 222,587,060.26

(1) Debt service for the Bonds is illustrated on the State of Texas fiscal year end of August 31st, although the District's fiscal year ends on June 30th.
(2) Includes accrued interest in the amount of $137,829.86.
(3) Based on it's wealth per student, the District does not expect to receive state financial assistance for the payment of debt service for the fiscal year 2026/27. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [(1)]	$ 13,822,506.28
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [(2)]	1,040,000.00
Projected Net Debt Service Requirement	$ 12,782,506.28
$0.39768 Tax Rate @ 98% Collections Produces	$ 12,782,506.28
2026/27 Certified Net Taxable Valuation [(3)]	$ 3,279,847,836

(1) Includes the Bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. The District will not receive any Instructional Facilities Allotment nor Existing Debt Allotment state aid in 2026/27, but will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16, 2022/23, 2023/24 and 2025/26.
(3) Source: Certified Values from the Angelina County Appraisal District as of July 23, 2026.

AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District will have $80,000,000 ($65,000,000 in Proposition A and $15,000,000 in Proposition B) authorized but unissued ad valorem tax bonds from the May 2, 2026 election. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES (1) (2)

	Fiscal Year Ended June 30 (2)				
	2021	2022	2023	2024	2025 (2)
Beginning Fund Balance	**$ 28,698,239**	**$ 33,604,681**	**$ 32,332,000**	**$ 22,786,441**	**$ 24,380,063**
Revenues:					
Local and Intermediate Sources	$ 28,735,741	$ 30,024,626	$ 33,059,704	$ 25,553,262	$ 26,167,105
State Program Revenues	49,658,269	48,498,107	42,959,279	55,076,438	47,339,144
Federal Sources & Other	2,302,471	2,566,267	2,605,440	1,326,054	375,815
Total Revenues	**$ 80,696,481**	**$ 81,089,000**	**$ 78,624,423**	**$ 81,955,754**	**$ 73,882,064**
Expenditures:					
Instruction	$ 45,905,185	$ 43,245,705	$ 42,375,310	$ 40,060,290	$ 36,485,823
Instructional Resources & Media Services	803,345	755,199	749,675	726,619	592,853
Curriculum & Instructional Staff Development	1,396,223	1,990,725	1,314,764	1,998,418	1,485,884
Instructional Leadership	1,433,344	1,800,243	2,021,509	1,927,984	1,444,578
School Leadership	5,201,075	5,744,656	5,876,872	4,738,625	3,956,943
Guidance, Counseling & Evaluation Services	1,859,192	2,648,069	2,263,670	3,021,252	2,842,757
Social Work Services	65,765	4,401	7,574	90,988	83,868
Health Services	248,200	767,371	707,333	993,070	813,145
Student (Pupil) Transportation	2,800,468	2,857,590	3,642,405	2,766,252	2,098,016
Food Services	-	-	2,356	-	-
Cocurricular/Extracurricular Activities	1,694,189	2,406,868	2,173,665	2,175,381	2,018,654
General Administration	2,603,365	3,224,927	4,307,003	4,135,655	3,570,892
Plant Maintenance and Operations	8,114,776	8,233,593	16,407,543	9,534,620	6,404,511
Security and Monitoring Services	1,576,293	1,472,549	1,900,532	2,001,813	1,567,796
Data Processing Services	2,071,486	3,040,689	2,072,814	2,283,224	1,813,326
Community Services	25,623	26,270	1,362	3,233	60,209
Debt Service - Principal on Long-Term Debt	1,105,459	1,368,535	1,751,891	1,611,382	1,152,469
Debt Service - Interest on Long-Term Debt	116,770	127,822	95,762	-	-
Debt Service - Bond Issuance Costs and Fees	-	-	564	-	-
Facilities Acquisition and Construction	628,465	2,595,162	497,378	2,303,465	2,994,137
Payments to Fiscal Agent/Member Districts of SSA	313,824	-	-	322,770	317,269
Other Intergovernmental Charges	642,126	653,854	-	-	-
Total Expenditures	**$ 78,605,173**	**$ 82,964,228**	**$ 88,169,982**	**$ 80,695,041**	**$ 69,703,130**
Excess (Deficiency) of Revenues over Expenditures	$ 2,091,308	$ (1,875,228)	$ (9,545,559)	$ 1,260,713	$ 4,178,934
Other Resources and (Uses):					
Issuance of Capital Leases	$ 1,508,910	$ 295,869	$ -	$ -	$ -
Capital Lease Proceeds	-	-	-	-	2,100,017
SBITA Proceeds	-	-	-	368,745	-
Transfers In	1,140,286	20,000	-	2,134	-
Transfers Out (Use)	-	(36,771)	-	(37,970)	(2,134)
Other Resources	-	-	-	-	253,457
Insurance Recoveries	165,938	323,449	-	-	-
Total Other Resources (Uses)	**$ 2,815,134**	**$ 602,547**	**$ -**	**$ 332,909**	**$ 2,351,340**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 4,906,442	$ (1,272,681)	$ (9,545,559)	$ 1,593,622	$ 6,530,274
Ending Fund Balance	**$ 33,604,681**	**$ 32,332,000**	**$ 22,786,441**	**$ 24,380,063**	**$ 30,910,337**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budget and Rates" in Appendix D hereto for a discussion of the 2025/26 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Official Statement.
(2) For the ten months ending June 30, 2025. The District changed their fiscal year end from August 31 to June 30 beginning in the 2024-25 fiscal year.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended June 30 [2]				
	2021	2022	2023	2024	2025 [2]
Revenues:					
Program Revenues:					
Charges for Services	$ 521,019	$ 1,179,432	$ 1,224,831	$ 781,740	$ 758,506
Operating Grants and Contributions	27,023,589	30,787,771	34,836,726	32,278,303	22,722,559
General Revenues:					
Property Taxes Levied for General Purposes	28,213,000	29,272,509	30,481,674	23,877,564	24,307,711
Property Taxes Levied for Debt Service	7,696,852	7,667,542	6,876,577	5,254,251	6,960,653
Grants and Contributions Not Restricted	44,880,111	44,204,711	38,755,802	57,322,286	48,771,965
Investment Earnings	101,482	362,062	2,261,337	1,939,655	1,369,632
Miscellaneous	70,582	260,624	833,860	881,527	973,049
	$ 108,506,635	$ 113,734,651	$ 115,270,807	$ 122,335,326	$ 105,864,075
Expenses:					
Instruction	$ 55,138,518	$ 54,747,547	$ 59,101,912	$ 56,205,952	$ 57,420,673
Instruction Resources & Media Services	866,617	859,731	926,529	1,533,249	952,386
Curriculum & Staff Development	3,993,579	3,960,557	3,696,111	3,220,050	2,672,108
Instructional Leadership	2,258,761	2,872,667	3,380,313	3,998,852	2,925,064
School Leadership	5,689,894	6,899,825	7,031,669	7,685,442	5,460,638
Guidance, Counseling & Evaluation Services	3,320,323	3,312,761	3,793,624	4,396,203	3,511,837
Social Work Services	151,661	80,914	96,182	169,445	141,082
Health Services	1,070,423	1,099,902	1,176,455	1,041,277	813,145
Student Transportation	2,584,865	3,025,612	4,031,669	3,323,961	2,436,697
Food Service	5,038,551	5,371,786	5,787,984	6,737,197	6,137,168
Cocurricular/Extracurricular Activities	1,925,485	2,455,630	3,317,259	2,978,775	2,795,553
General Administration	2,785,545	3,391,230	4,657,648	5,023,582	4,183,957
Plant Maintenance & Operations	14,496,870	9,603,298	18,900,937	12,065,213	6,607,586
Security and Monitoring Services	1,590,646	1,570,787	1,981,269	2,464,185	2,690,316
Data Processing Services	2,421,742	2,898,825	2,445,090	2,380,142	2,187,866
Community Services	44,049	109,010	90,921	206,818	142,290
Debt Service - Interest on Long-term Debt	3,000,390	3,005,913	2,968,678	3,018,798	2,034,989
Debt Service - Bond Issuance Cost and Fees	183,275	275,901	90,982	-	-
Facilities Acquisition and Construction	14,169	2,199	-	30,960	431,828
Payments to Fiscal Agent/Member Districts of SSA	313,824	319,202	330,024	322,770	317,269
Other Intergovernmental Charges	642,126	653,854	-	-	-
Business-Type Activities - Operating Expense	-	-	-	-	-
Business-Type Activities - Panther Broadcasting	112,183	108,841	73,170	114,674	101,924
Business-Type Activities - Panther Advertising	-	71,717	57,498	57,351	76,453
Business-Type Activities - Sport Facilities Rentals	-	119,885	126,703	102,535	98,598
Business-Type Activities - LHS Gym Fundraising	-	-	25,940	3,628	16,039
Total Expenditures	$ 107,643,496	$ 106,817,594	$ 124,088,567	$ 117,081,059	$ 104,155,466
Change in Net Assets	$ 863,139	$ 6,917,057	$ (8,817,760)	$ 5,254,267	$ 1,708,609
Beginning Net Assets	$ 12,697,765	$ 13,560,904	$ 21,599,347	$ 12,781,587	$ 18,035,854
Prior Period Adjustment	$ -	$ 1,121,386 [3]	$ -	$ -	$ (279,491) [4]
Ending Net Assets	$ 13,560,904	$ 21,599,347	$ 12,781,587	$ 18,035,854	$ 19,464,972

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted in the 2002 fiscal year.
(2) For the ten months ending June 30, 2025. The District changed their fiscal year end from August 31 to June 30 beginning in the 2024-25 fiscal year.
(3) The prior period adjustment in 2022 was due to the implementation of GASB Statement No. 87 for Leases.
(4) The prior period adjustment in 2025 was due to the implementation of GASB Statement No. 101 for Accrued Compensated Absences.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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LUFKIN INDEPENDENT SCHOOL DISTRICT

General and Economic Information

Lufkin Independent School District (the "District") includes the City of Lufkin, the county seat and principal commercial and manufacturing center of Angelina County. The estimated population of the District is 40,610.

Angelina County, Texas (the "County") is a central east Texas county. The county is traversed by U.S. Highways 59 and 69, State Highways 7, 6, 103 and six farm-to-market roads.

Source: Texas Municipal Report for Lufkin ISD and Angelina County.

Enrollment Statistics

Year Ending 8/31	Enrollment
2016	8,268
2017	8,216
2018	7,992
2019	7,861
2020	7,869
2021	7,432
2022	7,357
2023	7,164
2024	7,046
2025	6,865
2026	6,669

District Staff

Teachers	489
Auxiliary Personnel	243
Teachers' Aides & Secretaries	254
Administrators	34
Other	163
Total	1,183

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/ Renovation
Dunbar Primary	K-2	300	334	1950	2019
Burley Primary	K-2	492	543	2009	2015
Garrett Primary	PK3-PK4	316	440	1957	1991
Herty Primary	K-2	256	550	1982	1989
Trout Primary	K-2	371	439	1956	1998
Anderson Elementary	3-5	226	440	1983	2000
Brandon Elementary	3-5	438	523	1983	1989
Brookhollow Elementary	3-5	262	428	1975	2005
Slack Elementary	3-5	525	783	1964	2000
Lufkin Middle School	6-8	1,482	1,800	2022	2022
Lufkin High School	9-12	1,895	2,156	1998	2021
Olivia R. Hackney School		106	250	1963	2000

Unemployment Rates

	June 2024	June 2025	June 2026
Angelina County	4.5%	4.4%	5.3%
State of Texas	4.5%	4.2%	4.9%

Source: Texas Workforce Commission.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Orrick, Herrington & Sutcliffe LLP
609 Main Street
40th Floor
Houston, TX 77002

+1 713 652 6400
orrick.com

September 2, 2026

We have acted as bond counsel to the Lufkin Independent School District (the "District") in connection with the issuance of $aggregate principal amount of bonds designated as "Lufkin Independent School District Unlimited Tax School Building Bonds, Series 2026" (the "Bonds"). The Bonds are authorized by an election held in the District on May 2, 2026 and an order adopted by the Board of Trustees of the District (the "Board") on June 18, 2026 authorizing the issuance of the Bonds and the pricing certificate executed on the date of the sale of the Bonds finalizing the terms thereof (together, the "Bond Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Order.

In such connection, we have reviewed the Order, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the District in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the offering material relating to the Bonds, if any, and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the District.

2. The Board has power and is obligated to levy an annual ad valorem tax, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2025

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Lufkin Independent School District

ANNUAL FINANCIAL REPORT

June 30, 2025

Table of Contents

Table of Contents (Continued)

Lufkin Independent School District
Certificate of Board

Lufkin Independent School District	**Angelina**	**003-903**
Name of School	County	Co. - Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and

[✓] Approved --- [ ] Disapproved
(Check One)

For the ten months ending June 30, 2025 at a meeting of the Board of Trustees of such school district on the 15th day of January, 2026.

Allyson Langston
Signature of Board Secretary

Kristi Gay
Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary:

CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
1307 South 1st Street
Lufkin, TX 75901

936.634.6621
CRIadv.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lufkin Independent School District
Lufkin, Texas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, fiduciary funds, and the aggregate remaining fund information of Lufkin Independent School District ("the District"), as of and for the ten months ending June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, fiduciary funds, and the aggregate remaining fund information of Lufkin Independent School District as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the ten month period then ended in accordance with accounting principles general accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* that will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and other supplementary information sections, which include the schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory and other supplementary information sections, including the schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, on our consideration of Lufkin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lufkin Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lufkin Independent School District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
January 15, 2026

As management of the Lufkin Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance for the fiscal ten months ending June 30, 2025. Please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- During the year ended June 30, 2025, the District changed its fiscal year end from August 31 to June 30 pursuant to action by the Board of Trustees. Accordingly, the accompanying financial statements present the results of operations for the ten-month period September 1, 20X1 through June 30, 20X2. Because this period is shorter than a full twelve-month fiscal year, the amounts presented are not strictly comparable to those of prior years.

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $19,205,884(*net position*) for governmental activities and $259,088 for business-type activities.

- During the year, the District's expenses were $1,708,609 less than the $105,864,075 generated in taxes and other revenues for governmental and business-type activities.

- The total cost of the District's programs was $104,155,466, which is $12,925,593 (12%) lower than the prior year.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $42,439,994, an increase of $13,784,588 from the prior year. The increase is primarily due to change in year end.

- The unassigned fund balance of the general fund at June 30, 2025 was $29,110,598 or 42% of total general fund expenditures.

- The District's long-term obligations increased by $785,491 (1%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENT

This annual report consists of three parts, *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Major Features of the District's Government-Wide and Fund Financial Statements				
		Fund Statements		
Type of Statements	**Government-Wide**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	The activities the District operates that are similar to private businesses	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position	Statement of Changes in Fiduciary Net Positions
			Statement of Cash Flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources and liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Only assets and deferred outflows of resources expected to be used up and only liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

The *Statement of Net Position* presents all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are referenced as Exhibits A-1 and B-1 in this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, or fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. These funds are reported using an accounting method called *modified accrual* accounting, that requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period. Such information may be useful in evaluating a District's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds financial statements for each major fund of the District. All other funds are combined into a single aggregated presentation. The District adopts an annual budget for the general fund, and the National School Breakfast and Lunch Program special revenue fund, the debt service fund, and the Construction capital projects fund.

The basic governmental funds financial statements are referenced as Exhibits C-1, C-1R, C-2, and C-3 in this report.

Proprietary Funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its broadcasting and advertising services as well as sports facilities rental and gym fundraising.

Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements are referenced as Exhibits D-1 through D-3.

Fiduciary Funds. *Fiduciary funds* are used to account for assets and activities when the District is functioning as a trustee or a custodian, *fiduciary*, for another party. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Custodial funds account for resources held for the benefit of students. Those funds are not reflected in the district's government-wide financial statements because the resources of the funds are not available to support the District's own operations.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) which further explains and supports the information in the financial statements. The SRI relates to the budgetary comparison schedules and the cost-sharing multiple-employer pension and other postemployment benefits (OPEB) plans in which the District participates. RSI is referenced as Exhibits G-1 through G-5.

The other supplementary information other than RSI that is included in this report immediately follows the RSI and includes the combining statements for nonmajor funds, budgetary comparison schedules for funds that the District legally adopts an annual budget that are not required to be presented as RSI and other schedules required to be included. Those schedules are referenced as H-1 through H-7, J-1 through J-4, K-1 and L-1 in this report. This other supplementary information is presented immediately following RSI.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $19,205,884 at June 30, 2025. The following table reflects the condensed Statement of Net Position.

Lufkin Independent School District's Net Position

	Governmental Activities			Business-Type Activities		
	2025	Change	2024	2025	Change	2024
Current and other assets	$ 52,392,376	$ 14,971,226	$ 37,421,150	$ 263,882	$ 26,726	$ 237,156
Capital and non-current assets	126,781,200	(11,889,992)	138,671,192	-	-	-
TOTAL ASSETS	179,173,576	3,081,234	176,092,342	263,882	26,726	237,156
Deferred Outflows	24,426,773	(5,754,782)	30,181,555	-	-	-
Total Assets and Deferred Outflows	203,600,349	(2,673,548)	206,273,897	263,882	26,726	237,156
Other liabilities	13,113,206	2,030,676	11,082,530	4,794	(66)	4,860
Long term liabilities	139,980,941	(6,788,081)	146,769,022	-	-	-
TOTAL LIABILITIES	153,094,147	(4,757,405)	157,851,552	4,794	(66)	4,860
Deferred Inflows	31,300,318	681,531	30,618,787	-	-	-
Total Liabilities and Deferred Inflows	184,394,465	(4,075,874)	188,470,339	4,794	(66)	4,860
Net Position:						
Net Investment in capital assets	31,472,443	(12,943,454)	44,415,897	-	-	-
Restricted	11,480,110	7,335,487	4,144,623	-	-	-
Unrestricted	(23,746,669)	7,010,293	(30,756,962)	259,088	26,792	232,296
TOTAL NET POSITION	$ 19,205,884	$ 1,402,326	$ 17,803,558	$ 259,088	$ 26,792	$ 232,296

- The largest portion of the District's net position (164%) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- An additional portion of the District's net position (60%) represents resources that are subject to external restrictions on how they may be used.

- The District had a total deficit unrestricted net position of $23,684,360, which is primarily due to reporting the net pension and OPEB liabilities in accordance with GASB 68 and GASB 75.

At the end of the current fiscal year, the District is able to report positive balances in two of the three categories of net position.

Analysis of the District's Operations. The following table provides a summary of the District's operations for the ten months ending June 30, 2025. Governmental activities increased the District's net position by $1,683,063 while business-type activities decreased net position by $41,981.

Lufkin Independent School District
Statement of Activities

	Governmental Activities			Business-Type Activities		
Revenues:	2025	Change	2024	2025	Change	2024
Program Revenues:						
Charges for services	$ 440,834	$ (2,646)	$ 443,480	$ 317,672	$ (20,588)	$ 338,260
Operating grants and contributions	22,722,559	(9,547,043)	32,269,602	-	(8,701)	8,701
General Revenues:						
Property taxes	31,268,364	2,136,549	29,131,815	-	-	-
State aid	48,771,965	(8,550,321)	57,322,286	-	-	-
Investment earnings	1,369,632	(570,023)	1,939,655	-	-	-
Miscellaneous revenues	970,915	89,388	881,527	2,134	2,134	-
TOTAL REVENUES	105,544,269	(16,444,096)	121,988,365	319,806	(27,155)	346,961
Expenses:						
Instruction, instructional resources	58,373,059	633,858	57,739,201	-	-	
Curriculum and staff development	2,672,108	(547,942)	3,220,050	-	-	-
Instructional leadership	2,925,064	(1,073,788)	3,998,852	-	-	-
School leadership	5,460,638	(2,224,804)	7,685,442	-	-	-
Guidance, counseling and eval. Serv.	3,511,837	(884,366)	4,396,203	-	-	-
Social work services	141,082	(23,363)	164,445	-	-	-
Health services	813,145	(228,132)	1,041,277	-	-	-
Student transportation	2,436,697	(887,264)	3,323,961	-	-	-
Food service	6,137,168	(600,029)	6,737,197	-	-	-
Cocurricular/extracurricular activities	2,795,553	(183,222)	2,978,775	-	-	-
General administration	4,183,957	(839,625)	5,023,582	-	-	-
Facilities maintenance and operations	6,607,586	(5,457,627)	12,065,213	-	-	-
Security and monitoring services	2,690,316	226,131	2,464,185		-	-
Data processing services	2,187,866	(192,276)	2,380,142	-	-	-
Community services	142,290	(64,528)	206,818	-	-	-
Debt service	2,034,989	(983,809)	3,018,798	-	-	-
Capital outlay	431,828	400,868	30,960	-	-	-
Payments related to SSA	317,269	(5,501)	322,770	-	-	-
Panther broadcasting	-	-	-	101,924	(12,750)	114,674
Panther advertising	-	-	-	76,453	19,102	57,351
Sport facilities rentals and gym fundraising	-	-	-	114,637	8,474	106,163
TOTAL EXPENSES	103,862,452	(12,935,419)	116,797,871	293,014	14,826	278,188
CHANGE IN NET POSITION	$ 1,681,817	$ (3,508,677)	$ 5,190,494	$ 26,792	$ (41,981)	$ 68,773

The District's governmental activities total revenues were $105,544,269. A significant portion, 30%, of the District's revenue comes from taxes. 46% comes from state aid, while 22% relates to operating grants and contributions. 0.42% relates to charges for services while investment earnings account for 1%. Property tax rates decreased while values increased during the year.

The total cost of all governmental activities programs and services was $103,862,452, and 56% of these costs are for instructional and student services. The amount that our taxpayers paid for these activities through property taxes was $31,268,364. Those who directly benefitted from the programs paid $440,834 while grants and contributions paid $22,722,559.

Business-type activities total revenue and total expenses were each less than one percent of the District's total revenues and total expenses. These activities decreased net position by $41,981.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds*.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $42,439,994. Less than 1% of the total is considered nonspendable because it is not in spendable form. 27% or $11,480,110 of this total is restricted due to external limitations on its use. 4%, $1,760,000, is committed or assigned meaning there are limitations resulting from its intended use. 69% or $29,110,598 is unassigned.

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $29,110,598, while total general fund balance was $30,910,337. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42% of total general fund expenditures, while total fund balance represents 44%.

The debt service fund has a total fund balance of $7,865,312, all of which is restricted for the payment of debt service. The district makes semi-annual debt service payments in February and August of each year. The fund balance increased by $6,695,716 which is primarily due the change in year end having only one of the biannual payments during the ten month period.

Revenues from governmental fund types totaled $97,209,246, a decrease of 9% from the preceding year. Expenditures of governmental fund types totaled $85,775,998, a decrease of 22% from the prior year.

***Proprietary Funds*.** The District's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the enterprise funds amounted to $259,088 which was an increase of $26,792. This increase is primarily due to the decreased expenses in the advertising and broadcasting funds.

General Fund Budgetary Highlights

The District's budget is controlled at the fund and function level. Over the course of the year, the District revised its budget several times. The differences between the original and final budget for revenues and expenditures were significant (increase of $3,601,789 in total revenue and increase of $6,606,613 in total expenditures). The increase in total expenditures is the result of an increase in instruction of $2,780,424 and an increase in capital outlay of $3,103,150.

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year 2025, the District had invested $126,708,337 in a broad range of capital assets, including land, buildings, vehicles, equipment and construction in progress. This amount represents a net decrease (including additions and deductions) of $11,962,855 or 9% over last year.

Lufkin Independent School District's Capital Assets

	Governmental Activities	
	2025	2024
Land	$ 2,362,483	$ 2,362,483
Buildings and improvements	196,243,172	150,937,174
Furniture and equipment	17,395,851	17,274,206
Construction in progress	7,193	55,320,125
Right of use assets	3,731,061	2,498,944
TOTALS AT HISTORICAL COST	219,739,760	228,392,932
Less accumulated depreciation	(92,958,560)	(89,721,740)
NET CAPITAL ASSETS	$ 126,781,200	$ 138,671,192

The District expects to continue construction at the middle school during fiscal year 2025 with final completion of that project in fiscal year 2026. Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities. At ten months ending, the District had total long term liabilities of $95,502,049 outstanding. More detailed information about the District's long-term obligations is presented in the notes to the financial statements.

Lufkin Independent School District's Outstanding Long-Term Liabilities

	Governmental Activities	
	2025	2024
General obligation bonds	$ 90,255,000	$ 90,225,000
Tax Maintenance notes	3,380,000	3,380,000
Leases payable	1,621,699	193,183
Subscriptions payable	245,350	427,112
Total	$ 95,502,049	$ 94,225,295

The District's long-term obligations increased $1,276,754 or 1% from the preceding year. That increase is primarily due to no payments during year end change and additions to leases.

Economic Factors and Next Year's Budgets and Rates

Appraised property tax value used for the 2025 budget preparation was up from 2024. General operating fund spending per student is expected to increase in fiscal year 2026. The District's 2026 refined average daily attendance is expected to remain the same.

The indicators above were taken into account when adopting the general fund budget for 2026. Amounts available for appropriation in the overall budget are $88,714,084, a decrease of 6% from the final 2025 budget.

Overall expenditures are budgeted at $88,714,084 for 2026, a decrease of 6% from the final 2025 budget. The District did not budget any transfers in 2026.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If there are questions concerning any of the information provided in this report or requests for additional financial information, contact the District's Business Services Department.

Lufkin Independent School District
Statement of Net Position
Exhibit A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES	2 BUSINESS TYPE ACTIVITIES	TOTAL
	ASSETS			
1110	Cash and cash equivalents	$ 31,514,312	$ (1,000)	$ 31,513,312
1225	Property taxes receivable	2,555,094	-	2,555,094
1240	Due from other governments	17,438,742	-	17,438,742
1265	Due from proprietary fund	(243,357)	243,357	-
1290	Other Receivables	1,038,299	21,525	1,059,824
1300	Inventory	85,137	-	85,137
1410	Prepaid Expenditures	4,149	-	4,149
	Capital Assets:			
1510	Land	2,362,483	-	2,362,483
1520	Buildings and improvements, net	118,349,672	-	118,349,672
1530	Furniture and equipment, net	3,936,996	-	3,936,996
1550	Right to use assets, net	2,124,856		2,124,856
1580	Construction in progress	7,193	-	7,193
1000	TOTAL ASSETS	179,173,576	263,882	179,437,458
	Deferred outflows:			
	Deferred charge on refunding	822,390	-	822,390
	Deferred outflows - Pension	13,290,929	-	13,290,929
	Deferred outflows - OPEB	10,313,454	-	10,313,454
1700	TOTAL DEFERRED OUTFLOWS	24,426,773	-	24,426,773
	TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 203,600,349	$ 263,882	$ 203,864,231
	LIABILITIES			
2110	Accounts payable	1,491,059	4,794	1,495,853
2140	Interest payable	1,117,778	-	1,117,778
2160	Accrued Wages Payable	5,902,976	-	5,902,976
2300	Unavailable revenue	283,414	-	283,414
2501	Due within one year	4,317,979	-	4,317,979
	Noncurrent Liabilities:			
2502	Due in more than one year	91,184,070	-	91,184,070
2516	Premium on Issuance of bonds	4,823,083	-	4,823,083
2540	Net Pension Liability	25,207,353	-	25,207,353
2545	Net OPEB Liability	18,766,435	-	18,766,435
2000	TOTAL LIABILITIES	153,094,147	4,794	153,098,941
	Deferred Inflows:			
	Deferred inflows - Pension	10,908,809	-	10,908,809
	Deferred inflows - OPEB	20,391,509	-	20,391,509
2600	TOTAL DEFERRED INFLOWS	31,300,318	-	31,300,318
	TOTAL LIABILITIES AND DEFERRED INFLOWS	184,394,465	4,794	184,399,259
	NET POSITION			
3200	Net Investment in capital assets	31,472,443	-	31,472,443
	Restricted for:			
3820	Federal and state programs	2,879,123	-	2,879,123
3850	Debt Service	7,865,312	-	7,865,312
3870	Campus Activities	261,246	-	261,246
3890	Other purposes	474,429		474,429
3900	Unrestricted	(23,746,669)	259,088	(23,487,581)
3000	TOTAL NET POSITION	$ 19,205,884	$ 259,088	$ 19,464,972

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Statement of Activities
Exhibit B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS: BUSINESS TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS: TOTALS
	Governmental Activities:						
11	Instruction	57,420,673	77,734	8,670,874	(48,672,065)	-	(48,672,065)
12	Instruction resources and media services	952,386	-	391,054	(561,332)	-	(561,332)
13	Curriculum and staff development	2,672,108	-	1,112,645	(1,559,463)	-	(1,559,463)
21	Instructional leadership	2,925,064	-	1,473,493	(1,451,571)	-	(1,451,571)
23	School leadership	5,460,638	-	1,593,129	(3,867,509)	-	(3,867,509)
31	Guidance, counseling, and evaluation services	3,511,837	-	760,713	(2,751,124)	-	(2,751,124)
32	Social Work Services	141,082	-	57,214	(83,868)	-	(83,868)
33	Health services	813,145	-	-	(813,145)	-	(813,145)
34	Student transportation	2,436,697	-	205,530	(2,231,167)	-	(2,231,167)
35	Food services	6,137,168	155,403	5,718,468	(263,297)	-	(263,297)
36	Cocurricular/extracurricular activities	2,795,553	207,697	134,013	(2,453,843)	-	(2,453,843)
41	General administration	4,183,957	-	325,952	(3,858,005)	-	(3,858,005)
51	Plant maintenance and operations	6,607,586	-	1,230,283	(5,377,303)	-	(5,377,303)
52	Security and Monitory Services	2,690,316	-	919,841	(1,770,475)	-	(1,770,475)
53	Data Processing Services	2,187,866	-	93,378	(2,094,488)	-	(2,094,488)
61	Community Service	142,290		35,972	(106,318)	-	(106,318)
72	Debt Service	2,034,989	-	-	(2,034,989)	-	(2,034,989)
81	Facilities Acquisition and construction	431,828	-	-	(431,828)	-	(431,828)
93	Payments related to shared services arrangements	317,269	-	-	(317,269)	-	(317,269)
TG	TOTAL GOVERNMENTAL ACTIVITIES	103,862,452	440,834	22,722,559	(80,699,059)	-	(80,699,059)
	Business-type Activities:						
01	Panther Broadcasting	101,924	104,057	-	-	2,133	2,133
02	Panther Advertising	76,453	60,000	-	-	(16,453)	(16,453)
03	Sports Facilities Rentals	98,598	117,041	-	-	18,443	18,443
04	LHS Gym Fundraising	16,039	36,574	-	-	20,535	20,535
	TOTAL BUSINESS-TYPE ACTIVITIES	293,014	317,672	-	-	24,658	24,658
TP	TOTAL PRIMARY GOVERNMENT	104,155,466	758,506	22,722,559	(80,699,059)	24,658	(80,674,401)
General Revenues:							
MT	Property taxes, levied for general purposes				24,307,711		24,307,711
DT	Property taxes, levied for debt service				6,960,653		6,960,653
IE	Investment earnings				1,369,632		1,369,632
GC	Grants and contributions not restricted to specific programs				48,771,965		48,771,965
MI	Miscellaneous				973,049		973,049
FR	Transfers				(2,134)	2,134	-
TR	TOTAL GENERAL REVENUES				82,380,876	2,134	82,383,010
CN	CHANGE IN NET ASSETS				1,681,817	26,792	1,708,609
NB	Net position - Beginning				17,803,558	232,296	18,035,854
PA	Prior period adjustment				(279,491)	-	(279,491)
NE	NET POSITION - ENDING				19,205,884	259,088	19,464,972

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Balance Sheet Governmental Funds
Exhibit C-1

Data Control Codes		10 GENERAL FUND	onmf OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
	ASSETS:			
1110	Cash and Cash Equivalent	$ 20,895,656	$ 10,618,656	$ 31,514,312
1225	Taxes Recievable, Net	2,078,827	476,267	2,555,094
1240	Due from Other Government	13,698,111	3,740,631	17,438,742
1260	Due from Other Funds	4,420,195	872,076	5,292,271
1290	Other Recievables	920,174	118,125	1,038,299
1300	Inventory	35,590	49,547	85,137
1410	Deferred Expenditures	4,149	-	4,149
1000	Total Assets	$ 42,052,702	$ 15,875,302	$ 57,928,004
	LIABILITIES:			
	Current Liabilities:			
2110	Accounts Payable	1,335,529	155,530	1,491,059
2160	Accrued Wages Payable	5,817,230	85,746	5,902,976
2170	Due to Other Funds	1,909,340	3,626,288	5,535,628
2300	Deferred revenue	281,600	1,814	283,414
2000	Total Liabilities	9,343,699	3,869,378	13,213,077
	Deferred Inflows:			
2600	Unavailable Revenue	1,798,666	476,267	2,274,933
2000a	TOTAL LIABILITIES AND DEFERRED INFLOWS	11,142,365	4,345,645	15,488,010
	FUND BALANCES:			
	Nonspendable fund balance			
3410	Inventories	35,590	49,547	85,137
3430	Prepaid items	4,149	-	4,149
	Restricted Fund Balances:			
3450	Restricted for Food service	-	2,879,123	2,879,123
3480	Restricted for Debt Service	-	7,865,312	7,865,312
3490	Other	-	735,675	735,675
3550	Assigned - construction	450,000	-	450,000
3570	Assigned - capital	1,310,000	-	1,310,000
3600	Unassigned	29,110,598	-	29,110,598
3000	Total Fund Balance	30,910,337	11,529,657	42,439,994
4000	Total Liabilities, deferred inflows, and Fund Balances	$ 42,052,702	$ 15,875,302	$ 57,928,004

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)	$	42,439,994
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		126,781,200
Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		2,274,933
Payables for debt service, including premiums, which are not due in the current period are not reported in the fur		(100,325,132)
Payables for bond interest which are not due in the current period are not reported in the funds.		(1,117,778)
The deferred charge for refunding is not reported in the funds.		822,390
District's proportionate share of the collective net pension liability is not reported in the funds.		(25,207,353)
District's proportionate share of the net OPEB liability is not reported in the funds.		(18,766,435)
District's proportionate share of the collective deferrals of resources related to the Pension and OPEB plans is not reported in the funds.		(7,695,935)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)	$	19,205,884

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Statement of Revenues, Expenditures, and Changes
In Fund Balances Governmental Funds
Exhibit C-2

Data Control Codes		10 GENERAL FUND	onmf OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
	REVENUES:			
5700	Local and Intermediate Sources	$ 26,167,105	$ 7,961,765	$ 34,128,870
5800	State Program Revenues	47,339,144	3,398,582	50,737,726
5900	Federal Program Revenues	375,815	11,966,835	12,342,650
5020	Total Revenues	73,882,064	23,327,182	97,209,246
	EXPENDITURES:			
0011	Instruction	36,485,823	4,002,272	40,488,095
0012	Instructional Resources and Media Services	592,853	38,719	631,572
0013	Curriculum and Staff Development	1,485,884	1,186,224	2,672,108
0021	Instructional Leadership	1,444,578	1,157,391	2,601,969
0023	School Leadership	3,956,943	927,179	4,884,122
0031	Guidance, Counseling, & Evaluation Services	2,842,757	238,967	3,081,724
0032	Social Work	83,868	57,214	141,082
0033	Health Services	813,145	-	813,145
0034	Student Transportation	2,098,016	-	2,098,016
0035	Food Services	-	5,201,534	5,201,534
0036	Cocurricular/Extracurricular Activities	2,018,654	130,499	2,149,153
0041	General Administration	3,570,892	20,956	3,591,848
0051	Plant Maintenance and Operations	6,404,511	812,253	7,216,764
0052	Security and Monitoring Services	1,567,796	738,747	2,306,543
0053	Data Processing Services	1,813,326	-	1,813,326
0061	Community Services	60,209	58,231	118,440
0071	Debt Service	1,152,469	1,502,682	2,655,151
0081	Capital Outlay	2,994,137	-	2,994,137
0093	Payments to Shared Service Arrangements	317,269	-	317,269
6030	Total Expenditures	69,703,130	16,072,868	85,775,998
1100	Excess Revenue over Expenditures	4,178,934	7,254,314	11,433,248
	Other Financing Sources:			
7913	Capital Lease Proceeds	2,100,017	-	2,100,017
7941	SBITA proceeds	253,457	-	253,457
8925	Transfers Out	(2,134)	-	(2,134)
7080	Total Other Financing Sources	2,351,340	-	2,351,340
1200	Net Change in Fund Balances	6,530,274	7,254,314	13,784,588
0100	Fund Balances - Beginning	24,380,063	4,275,343	28,655,406
3000	Fund Balances - Ending	$ 30,910,337	$ 11,529,657	$ 42,439,994

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Exhibit C-3

Net change in fund balances - Total governmental funds	$ 13,784,588
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	(6,871,976)
The depreciation/amortization of capital assets used in governmental activities is not reported in the funds.	(5,018,016)
Certain property tax revenues are unavailable; therefore they are deferred inflows of resources in the funds. This is the change in these amounts this year.	(76,991)
Repayment of debt service and amortization of related debt deferrals is an expenditure in the funds but is not an expense in the SOA.	(677,786)
Pension and related deferral activity is not recorded in the funds.	(1,094,804)
OPEB and related deferral activity is not recorded in the funds.	2,606,129
Amount represents the (increase) decrease in accrued interest from beginning of period to end of period.	(969,327)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,681,817

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Statement of Net Position Proprietary Funds
Exhibit D-1

DATA CONTROL CODES		TOTAL NONMAJOR ENTERPRISE FUNDS
	ASSETS	
	Current Assets:	
1100	Cash and cash equivalents	$ (1,000)
1260	Due from general fund	252,672
1290	Other receivables	21,525
	TOTAL CURRENT ASSETS	273,197
	LIABILITIES	
	Current Liabilities:	
2110	Accounts payable	4,794
2170	Due to general fund	9,315
2000	TOTAL LIABILITIES	14,109
	NET POSITION	
3900	Unrestricted	259,088
3000	TOTAL NET POSITION	$ 259,088

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Position - Enterprise Funds
Exhibit D-2

DATA CONTROL CODES		TOTAL NONMAJOR ENTERPRISE FUNDS
	Operating Revenues:	
5700	Local and intermediate	$ 317,672
5020	TOTAL OPERATING REVENUES	317,672
	Operating Expenses:	
6100	Payroll costs	112,886
6200	Professional contracted service	90,120
6300	Supplies and material	63,590
6400	Miscellaneous operating costs	26,418
6030	TOTAL OPERATING EXPENSES	293,014
1100	OPERATING INCOME	24,658
	Other Financing Sources:	
8911	Operating transfers in (out)	2,134
7080	Total other financing sources	2,134
1200	CHANGE IN NET POSITION	26,792
0100	Beginning net position	232,296
3300	NET POSITION, END OF YEAR	$ 259,088

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Statement of Cash Flows Proprietary Funds
Exhibit D-3

	TOTAL NONMAJOR ENTERPRISE FUNDS
Cash Flows from Operating Activities:	
Cash received from user charges	314,197
Cash payments from general fund	(115,352)
Cash payments for suppliers	(201,979)
NET CASH USED BY OPERATING ACTIVITIES	(3,134)
Cash Flows From NonCapital Financing Activities:	
Transfer from general fund	2,134
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITES	2,134
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,000)
Cash and cash equivalents - Beginning	-
CASH AND CASH EQUIVALENTS - ENDING	(1,000)
Reconciliation of Operating Income to Net Cash	
Provided By Operating Activities:	
Operating income	24,658
Adjustments to reconcile operating income to net cash by operating activities	
Change in Due from general fund	(23,079)
Change in other Receivables	(3,475)
Change in accounts payable	(66)
Change in due to other funds	(1,172)
NET CASH USED BY OPERATING FUNDS	(3,134)

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Statement of Fiduciary Net Position Fiduciary Funds
Exhibit E-1

	CUSTODIAL FUND STUDENT ACTIVITY
ASSETS	
Cash and cash equivalents	$ 351,140
TOTAL ASSETS	$ 351,140
LIABILITIES	
Accounts payable	4,085
TOTAL LIABILITIES	4,085
NET POSITION	
Restricted for other purposes	347,055
TOTAL NET POSITION	$ 347,055

The accompanying notes are an integral part of these financial statements.

Lufkin Independent School District
Statement of Change in Fiduciary Net Position
Fiduciary Funds
Exhibit E-2

	CUSTODIAL FUND STUDENT ACTIVITY
Additions:	
Other revenue - Student activities	$ 482,681
TOTAL ADDITIONS	482,681
Deductions:	
Student activity expense	431,627
TOTAL DEDUCTIONS	431,627
CHANGE IN NET POSITION	51,054
Net position - Beginning of year	296,001
NET POSITION - END OF YEAR	$ 347,055

The accompanying notes are an integral part of these financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Lufkin Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

Basis of Presentation, Basis of Accounting
Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the district. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Change in Fiscal Year

During the year ended June 30, 2025, the District changed its fiscal year end from August 31 to June 30 pursuant to action by the Board of Trustees. Accordingly, the accompanying financial statements present the results of operations for the ten-month period September 1, 2024 through June 30, 2025. Because this period is shorter than a full twelve-month fiscal year, the amounts presented are not strictly comparable to those of prior years.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating funds. It accounts for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of the fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodial capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

Measurement Focus, Basis of Accounting

Government-wide Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses and recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Measurement Focus, Basis of Accounting (continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts are reported as other financing sources.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Financial Statement Amounts

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes was $851,699 at June 30, 2025.

Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets, including right-of-use lease and subscription assets, are being depreciated or amortized using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and improvements	7-50
Furniture and equipment	5-20
Right-of-use lease assets - Equipment	2-4
Right-of-use subscription assets	3

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

For the ten months ending June 30, 2025, the District has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The District reports the deferred outflows and deferred inflows related to the Teacher Retirement System of Texas (TRS) net pension and net OPEB liabilities only on the government-wide Statement of Net Position. Those items are detailed in Notes 11 and 12. The deferred charge on refundings is related to the refunding bonds issued in 2015, 2016, 2017 and 2020. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. On the governmental funds balance sheet, the unavailable property tax revenue is reported as a deferred inflow of resources. This revenue is recognized in the period in which the revenue becomes available.

Receivable and Payable Balances

The district believes that sufficient detail of receivable and payable balances is not provided in the financial statements to avoid obscuring significant components by aggregation. Therefore, disclosure is provided to disaggregate significant balances in Note 6.

There are no significant receivables which are not scheduled for collection within one year of ten months ending.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Leases

The District is a lessee for noncancelable leases of property and equipment. The District recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the least term. Subsequently, the lease liability is reduced by the principal portion of lease payments. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgements related to leases include how the district determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses its estimated incremental borrowing rate as the discount rate.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITA)

The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying assets). The district recognizes a subscription liability and an intangible right-of-use subscription asset (subscription asset) in the government-wide financial statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the commencement of a SBITA, the District measure the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments. The subscription asset is initially measured at the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgements related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

Subscription-Based Information Technology Arrangements (SBITA) (continued)

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the district uses its estimated incremental borrowing rate as the discount rate.
- The subscription term includes the noncancelable period of subscription.
- Subscription payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, subscription contract incentives receivable from the subscription vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The district monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the district's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Fund Balance - represents amounts which the district intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convoy that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Pensions

The fiduciary net position of the TRS pension plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

The fiduciary net position of the TRS OPEB plan, known as TRS-Care, has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Note 2: COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

VIOLATION	ACTION TAKEN
None reported	Not applicable

Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at ten months ending, if any, along with remarks which address such deficits:

FUND NAME	DEFICIT AMOUNT	REMARKS
Panther Broadcasting	$	Subsequent Supplemental funding

Note 3: DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposit

At June 30, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $31,864,452 and the bank balance was $33,445,779. The District's cash deposits at June 30, 2025 and during the ten months ending June 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the pledging financial institution's agent bank in the District's name.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (PFIA), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The PFIA requires a review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The District is in compliance with the requirements of the PFIA and with local policies.

The PFIA determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) commercial paper, and (11) interest-bearing deposits.

Note 3: DEPOSITS AND INVESTMENTS (Continued)

The District's investment at June 30, 2025 is shown below.

Investment or invesment type	Weighted Average Maturity		Fair Value
Texpool	42 days	$	10,610,051

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific deposit and investment risks at ten months ending and if so, the reporting of certain related disclosures:

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

The District's investment policy does not limit its investment in public funds investment pools based on the credit ratings. At June 30, 2025, the District's investment in TexPool was rated AAAm as to credit quality by Standard & Poor's.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit its investment in public funds investment pools. Weighted average maturities are noted in the table above.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Note 3: DEPOSITS AND INVESTMENTS (Continued)

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the PFIA. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members advise on the investment policy and approve any fee increases. All investments are stated at amortized cost, which approximates fair value. The stated objective of TexPool is to maintain a stable average $1.00 per unit net asset value; however, the $1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

Note 4: CAPITAL ASSETS

GOVERNMENT ACTIVITIES	BEGINNING BALANCES	INCREASES	DECREASES	TRANSFER	ENDING BALANCES
Capital Assets Not Being Depreciated:					
Land	2,362,483	-	-	-	2,362,483
Construction in progress	55,320,125	2,290,318	(40,085)	(57,563,165)	7,193
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	57,682,608	2,290,318	(40,085)	(57,563,165)	2,369,676
Capital Assets Being Depreciated:					
Buildings and improvements	150,937,174	703,150	(12,960,317)	57,563,165	196,243,172
Furniture and equipment	17,274,206	121,645	-	-	17,395,851
Right to use lease assets - equipment	1,598,037	2,100,017	(1,071,738)	-	2,626,316
Right to use subscription assets	900,907	253,456	(49,618)	-	1,104,745
TOTAL CAPITAL ASSETS BEING DEPRECIATED	170,710,324	3,178,268	(14,081,673)	57,563,165	217,370,084
Less Accumulated Depreciation for:					
Buildings and improvements	(75,616,033)	(2,739,298)	461,831	-	(77,893,500)
Furniture and equipment	(13,297,371)	(403,246)	241,762	-	(13,458,855)
Right to use lease assets - equipment	(249,494)	(1,604,683)	825,635	-	(1,028,542)
Right to use subscription assets	(558,842)	(270,789)	251,968	-	(577,663)
TOTAL ACCUMULATED DEPRECIATION	(89,721,740)	(5,018,016)	1,781,196	-	(92,958,560)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	80,988,584	(1,839,748)	(12,300,477)	57,563,165	124,411,524
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	138,671,192	450,570	(12,340,562)	-	126,781,200

Capital asset activity for the ten months ending June 30, 2025, was as follows:
Depreciation was charged to functions as follows:

Instruction	$ 1,678,476
Instructional Leadership	63,641
School Leadership	17,434
Student Transportation	170,068
Food Services	710,207
Cocurricular/Extracurricular Activities	536,458
General Administration	341,111
Plant Maintenance & Op.	946,914
Security and Monitoring	234,774
Data Processing	297,934
Community Services	20,999
Total	$ 5,018,016

Note 5: INTERFUND BALANCES AND ACTIVITIES

Due To and From Other Funds

Balance due to and due from other funds at June 30, 2025, consisted of the following:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
General fund	Other Governmental funds	$ 3,130,259	Short-term advances
General fund	Enterprise funds	252,672	Short-term advances
Other Governmental funds	General Fund	1,909,340	Short-term advances
	TOTAL	$ 5,292,271	

All amounts due are scheduled to be repaid within one year.

Transfers To and From Other Funds

TRANSFER TO FUND	TRANSFER FROM FUND	AMOUNT	PURPOSE
General fund	Advertising fund	$ 2,134	Short term loan
	TOTAL	$ 2,134	

Note 6: DUE TO/DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following at June 30, 2025:

	GENERAL FUND	GOVERNMENTAL FUNDS	TOTAL
Due from State - Days of instruction	$ 803,109	-	$ 803,109
Due from State - Foundation revenue	12,895,002	-	12,895,002
Due from State - Grant programs	-	3,740,631	3,740,631
TOTAL	$ 13,698,111	$ 3,740,631	$ 17,438,742

Note 7: LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-Term Obligation Activity

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
General obligation bonds	$ 90,255,000	$ -	$ -	$ 90,255,000	$ 3,620,000
Notes from direct borrowings	3,380,000	-	-	3,380,000	460,000
TOTAL BONDS AND NOTES	93,635,000	-	-	93,635,000	4,080,000
Lease payable	193,183	2,100,017	(671,501)	1,621,699	566,412
Subscriptions payable	427,112	253,456	(435,218)	245,350	179,674
Unamortized bond premium	5,198,146	-	(375,064)	4,823,082	-
Compensated absenses*	279,491		(86,199)	193,292	193,292
TOTAL GOVERNMENTAL ACTIVITIES	$ 99,732,932	$ 2,353,473	$ (1,567,982)	$ 100,518,423	$ 5,019,378

*Restated for prior period adjustment

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the ten months ending June 30, 2025, are as follows:

Note 7: LONG-TERM OBLIGATIONS (Continued)

Bonds and Notes Payable

The following is a summary of bonds payable currently outstanding at June 30, 2025:

	INTEREST RATES	MATURITY DATE	AMOUNTS
Unlimited Tax Refunding Bonds, Series 2015	2.25% to 3.65%	2038	$ 7,750,000
Unlimited Tax Refunding Bonds, Series 2016	2% to 4%	2039	7,195,000
Unlimited Tax Refunding Bonds, Series 2017	1.5% to 3.15%	2039	8,620,000
Unlimited Tax School Building & Refunding Bonds, Series 2018	3.125% to 5%	2043	34,840,000
Unlimited Tax School Building Bonds, Series 2020	2% to 5%	2045	23,010,000
Unlimited Tax School Building Bonds, Series 2022	2% to 5%	2045	8,840,000
TOTAL BONDS			$ 90,255,000

The District's outstanding notes payable at June 30, 2025 consisted of the following:

	INTEREST RATES	MATURITY DATE	AMOUNTS
Maintenance Tax Notes, Series 2024	1% to 2%	2031	$ 3,380,000

Debt Service Requirements - Debt service requirements on long-term debt at June 30, 2025, are as follows:

YEAR ENDING	BONDS		NOTES	
AUGUST 31,	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2026	$ 3,620,000	$ 2,997,301	$ 460,000	$ 43,100
2027	3,760,000	2,831,226	470,000	33,900
2028	3,900,000	2,658,756	480,000	24,500
2029	4,065,000	2,486,906	485,000	19,700
2030	4,295,000	2,317,556	490,000	14,850
2031-2035	23,780,000	9,306,082	995,000	14,950
2036-2040	26,860,000	5,345,542	-	-
2041-2045	17,595,000	1,708,814	-	-
2046	2,380,000	70,405	-	-
TOTALS	$ 90,255,000	$ 29,722,588	$ 3,380,000	$ 151,000

Note 8: LEASES

In prior years, the District entered into lease agreements with Wells Fargo and Dell Financial Services (Dell) for the acquisition and use of copiers and technology equipment, respectively. During fiscal year 2024, the District entered into a new four year lease agreement with Wells Fargo for the acquisition and use of copiers. An initial lease liability of $3,471 was recorded for the new lease. The District is required to make monthly principal and interest payments for Wells Fargo and annual principal and interest payments for Dell. The right-to-use assets associated with these leases are amortized over the terms of the leases. Amortization is included with depreciation and details of the right-to-use assets are shown in the capital asset footnote.

Note 8: LEASES (Continued)

The following is a summary of leases payable currently outstanding at June 30, 2025:

	INTEREST RATES	MATURITY DATE	AMOUNTS
Wells Fargo - FY 23	2.96%	08/2026	$ 907
Wells Fargo - FY 24	4.19%	08/2028	8,004
Dell Financial Services - Storage	4.79%	08/2026	54,952
Phase 1 Apple iPad Lease		08/2028	190,508
Phase Dell laptop		08/2028	1,367,328
TOTAL LEASES			$ 1,621,699

The future principal and interest lease payments as of June 30, 2025 are as follows:

Year Ending	PRINCIPAL	INTEREST	TOTAL
2026	$ 566,412	$ 37,478	$ 603,890
2027	521,848	23,363	545,211
2028	533,439	1,773	535,212
TOTALS	$ 1,621,699	$ 62,614	$ 1,684,313

Note 9: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District entered into lease agreements with Wells Fargo and Dell Financial Services (Dell) for the acquisition and use of copiers and technology equipment, respectively. During fiscal year 2024, the District entered into a new four year lease agreement with Wells Fargo for the acquisition and use of copiers. The District is required to make monthly principal and interest payments for Wells Fargo and annual principal and interest payments for Dell. The right-to-use assets associated with these leases are amortized over the terms of the leases. Amortization is included with depreciation and details of the right-to-use assets are shown in the capital asset footnote.

The terms, rates, and ending balances for subscription liabilities at June 30, 2025 are as follows:

	INTEREST RATES	SUBSCRIPTION TERM	AMOUNTS
Dell Financial Services	2.73% to 4.95%	36 months	$ 99,935
Other IT Vendors	0.32% to 3.33%	36 months	327,177
TOTAL BONDS			$ 427,112

The future principal and interest SBITA payments as of June 30, 2025 are as follows:

Year Ending	PRINCIPAL	INTEREST	TOTAL
2026	$ 310,942	$ 15,611	$ 326,553
2027	116,169	3,636	119,805
TOTALS	$ 427,111	$ 19,247	$ 446,358

Note 10: FUND BALANCE

At June 30, 2025, other assigned fund balance consists of $1,760,000 for future construction and capital assets.

Note 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The District is a member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the fund execute Interlocal Agreements that define the responsibilities of the parties. The District participates in the Property, Liability, Auto, and Unemployment Compensation Programs.

For the Property, Liability, and Auto programs, the fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

The Workers' Compensation program is authorized by Chapter 504 of the Texas Labor Code. The Fund provides statutory workers' compensation benefits to its members' injured employees. The Fund and its members are protected against higher than expected claims cots through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of $2,000,000. The fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2025, the Fund carries a discounted reserve of $211,220,762 for future development on reported claims and claims that have been incurred but not yet reported.

For the ten months ending June 30, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payments of contributions for all programs in which it participates.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2025 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

Note 12: PENSION PLAN

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Note 12: PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize the TRS pension plan's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the TRS pension plan's actuary.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

	CONTRIBUTION RATES	
	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Employer Contributions	$ 2,325,518	
Member Contributions	$ 4,945,818	
NECE On-behalf Contributions	$ 4,654,030	

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86^{th} Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

Note 12: PENSION PLAN (Continued)

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pa both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Investment Rate of Return	7.00%
Last Ten months ending August 31 in Projection Period	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95%
Ad Hoc Post-Employment Benefit Changes	None

Note 12: PENSION PLAN (Continued)

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions, please see the actuarial valuation report dated August 31, 2024.

Discount Rate

The single discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a municipal bond rate of 3.19 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2024 are summarized below:

ASSET CLASS		TARGET** ALLOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN***	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS
Global Equity	U.S.A.	18%	4.0%	1.0%
	Non-U.S. Developed	13%	4.5%	0.9%
	Emerging Markets	9%	4.8%	0.7%
	Private Equity*	14%	7.0%	1.5%
Stable Value	Government Bonds	16%	2.5%	0.5%
	Absolute Return*	- %	3.6%	- %
	Stable Value Hedge Funds	5%	4.1%	0.2%
Real Return	Real Estate	15%	4.9%	1.1%
	Energy, Natural Resources, and Infrastructure	6%	4.8%	0.4%
	Commodities	- %	4.4%	- %
Risk Parity	Risk Parity	8%	4.5%	0.4%
Asset Allocation Leverage	Cash	2%	3.7%	- %
	Asset Allocation Leverage	(6)%	4.4%	(0.1)%
	Inflation Expectation			2.3%
	Volatility Drag****			(0.9)%
Expected Return		100%		8.0%

* Absolute Return includes Credit Sensitive Investments.
** Target allocations are based on the FY2024 policy model.
*** Capital Market Assumptions come from Aon Hewitt (as of 06/30/2024).
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 12: PENSION PLAN (Continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (6.00%)	DISCOUNT RATE (7.00%)	1% INCREASE IN DISCOUNT RATE (8.00%)
District proportionate share of the net pension liability	$ 40,262,530	$ 25,207,353	$ 12,733,069

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2025, the District reported a liability of $25,207,353 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 25,207,353
State's proportionate share that is associated with the District	38,940,411
TOTAL	$ 64,147,764

The net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the District's proportion of the collective net pension liability was 0.0413%, an increase of 0.0085% from August 31, 2023.

Changes Since the Prior Actuarial Valuation - The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

The total pension liability as of August 31, 2024 was developed using a roll-forward method from the August 31, 2023 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2024.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed to 7.00 percent as of August 31, 2024.

The long term assumed rate of return changed to 7.00 percent.

The change in the single discount rate was the primary reason for the change in the net pension liability.

Note 12: PENSION PLAN (Continued)

For the ten months ending June 30, 2025, the District recognized pension expense of $4,654,030 and revenue of $4,654,030 for support provided by the State.

At June 30, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	$ 1,389,395	$ 196,807
Changes in actuarial assumptions	1,301,510	174,488
Difference between projected and actual investment earnings	6,052,468	5,899,242
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,222,038	4,638,272
Contributions paid to TRS subsequent to the measurement date	2,325,518	-
TOTAL	$ 13,290,929	$ 10,908,809

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED JUNE 30	PENSION EXPENSE AMOUNT
2026	$ (43,903)
2027	$ 2,397,061
2028	$ (214,722)
2029	$ (1,522,572)
2030	$ (559,262)
Thereafter	$ -

Note 13: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

Note 13: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Plan Premium Rates January 1, 2024 - December 31, 2024		
	Medicare	**Non-Medicare**
Retiree*	$ 135	$ 200
Retiree and Spouse	$ 529	$ 689
Retiree* and Children	$ 468	$ 408
Retiree and Family	$ 1,020	$ 999

* *or surviving spouse*

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Note 13: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

	CONTRIBUTION RATES	
	2024	2025
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Employer Contributions	$ 561,634	
Member Contributions	$ 389,668	
NECE On-behalf Contributions	$ 703,720	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of $535 per retiree.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2024. Update procedures were used to roll forward the Total OPEB Liability (TOL) to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

Rate of Mortality	Rates of Termination	General Inflation
Rates of Retirement	Rates of Disability	Wage Inflation

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

Note 13: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 7.3% for non-Medicare retirees. Initial prescription drug trend rate of 9.0% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26% in the discount rate since the previous year. Since the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

	1% DECREASE IN DISCOUNT RATE (2.87%)	DISCOUNT RATE (3.87%)	1% INCREASE IN DISCOUNT RATE (4.87%)
District proportionate share of the net OPEB liability	$ 22,295,402	$ 18,766,435	$ 15,914,977

Note 13: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2025, the District reported a liability of $18,766,435 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 18,766,435
State's proportionate share that is associated with the District	23,514,094
TOTAL	$ 42,280,529

The Net OPEB Liability was measured as of August 31, 2024 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024, the employer's proportion of the collective Net OPEB Liability was 0.0618% which decreased 0.0618% from the proportion measured as of August 31, 2023.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 4.25% rate is used.

	1% DECREASE IN DISCOUNT RATE (3.25%)	DISCOUNT RATE (4.25%)	1% INCREASE IN DISCOUNT RATE (5.25%)
District proportionate share of the net OPEB liability	$ 15,282,475	$ 18,766,435	$ 23,306,382

Changes Since the Prior Actuarial Valuation - There were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period. The discount rate was 3.87% as of August 31, 2024.

There were no changes in benefit terms since the prior measurement date.
For the ten months ending June 30, 2025, the District recognized OPEB expense (benefit) of $3,056,398 and revenue of $3,056,398 for support provided by the State.

At June 30, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following resources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	$ 3,596,896	$ 9,365,471
Changes in actuarial assumptions	2,401,883	6,123,272
Difference between projected and actual investment earnings	17,999	70,551
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,735,042	4,832,215
Contributions paid to TRS subsequent to the measurement date	561,364	-
TOTAL	$ 10,313,184	$ 20,391,509

Note 13: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDED JUNE 30,	OPEB EXPENSE AMOUNT
2026	$ (2,532,965)
2027	$ (1,683,010)
2028	$ (2,141,216)
2029	$ (1,778,641)
2030	$ (1,121,172)
Thereafter	$ (1,382,685)

Note 14: MEDICARE PART D SUBSIDIES

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal ten months ending June 30, 2025, the subsidy payments received by TRS-Care on behalf of the District were $402,178.

Note 15: EMPLOYEE HEALTH CARE COVERAGE

During the ten months ending June 30, 2025, employees of the district were covered by a health insurance plan (the Plan). The District is a member of TRS-ActiveCare, a statewide health insurance coverage plan for public school employees. It was established by Chapter 1579, "Texas School Employees Uniform health Coverage Act", of the Texas Insurance Code. Employees can choose from PPO plans administered by Blue Cross and Blue Shield of Texas and CVS Caremark.

The District paid premiums of $300 per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer.

Note 16: COMMITMENTS AND CONTINGENCIES

Contingencies - Grants

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the district, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the District's opinion that the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 17: SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides a Regional Day School program for the Deaf to the member districts listed below. All services are provided by the fiscal agent. The funding for the SSA comes directly to the fiscal agent from federal and state grants. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be account for using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

MEMBER DISTRICTS	EXPENDITURES	
Lufkin ISD	$	237,240
Central ISD		43,240
Zavalla ISD		11,000
Hudson ISD		15,740
Diboll ISD		12,000
Corrigan-Camden ISD		10,750
Groveton ISD		5,750
Crockett ISD		5,750
West Sabine ISD		6,500
Broaddus ISD		27,750
San Augustine ISD		16,750
Huntington ISD		14,740
Apple Spring ISD		1,370
Leggett ISD		11,000
Grapeland ISD		7,750
Latexo ISD		11,000
Woodville ISD		16,500
Kennard ISD		500
Lovelady ISD		500
Onalaska ISD		3,250
Centerville ISD		1,000
TOTAL	$	460,080

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for an alternative school for at-risk students.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Hudson ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Prior Period Adjustment

The District implemented GASB 101, Accrued Compensated Absences, during the year resulting in a prior period adjustment of $279,491 to the government wide statement of net position.

Data Control Codes		Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and Intermediate Sources	$ 25,534,717	$ 28,729,717	$ 26,167,105	$ (2,562,612)
5800	State Program Revenues	49,761,044	50,167,833	47,339,144	(2,828,689)
5900	Federal Program Revenues	425,320	425,320	375,815	(49,505)
5020	Total Revenues	75,721,081	79,322,870	73,882,064	(5,440,806)
	EXPENDITURES:				
0011	Instruction	38,169,268	40,949,692	36,485,823	4,463,869
0012	Instructional Resources and Media Services	733,693	735,749	592,853	142,896
0013	Curriculum and Staff Development	1,577,455	1,610,519	1,485,884	124,635
0021	Instructional Leadership	1,860,208	1,876,203	1,444,578	431,625
0023	School Leadership	4,775,339	4,770,146	3,956,943	813,203
0031	Guidance, Counseling, & Evaluation Services	3,401,057	3,411,134	2,842,757	568,377
0032	Social Work	88,550	88,550	83,868	4,682
0033	Health Services	1,016,915	1,017,145	813,145	204,000
0034	Student Transportation	2,737,174	2,737,174	2,098,016	639,158
0036	Cocurricular/Extracurricular Activities	2,145,319	2,241,254	2,018,654	222,600
0041	General Administration	4,236,098	4,359,293	3,570,892	788,401
0051	Plant Maintenance and Operations	8,590,469	8,502,781	6,404,511	2,098,270
0052	Security and Monitoring Services	1,960,552	1,918,168	1,567,796	350,372
0053	Data Processing Services	2,124,636	2,504,339	1,813,326	691,013
0061	Community Services	2,320	77,320	60,209	17,111
0071	Debt Service	1,902,900	2,025,949	1,152,469	873,480
0081	Capital Outlay	49,128	3,152,278	2,994,137	158,141
0093	Payments to Shared Service Arrangements	350,000	350,000	317,269	32,731
6030	Total Expenditures	75,721,081	82,327,694	69,703,130	12,624,564
1100	Excess Revenue over Expenditures	-	(3,004,824)	4,178,934	7,183,758
	Other Financing Sources:				
7913	Capital lease proceeds		2,833,905	2,100,017	(2,580,448)
7941	Other resources			253,457	253,457
8925	Transfers Out	-	-	(2,134)	(2,134)
	Total Other Financing Sources	-	2,833,905	2,351,340	(2,329,125)
1200	Net Change in Fund Balances	-	(170,919)	6,530,274	4,854,633
0100	Fund Balances - Beginning	24,380,063	24,380,063	24,380,063	
3000	Fund Balances - Ending	$ 24,380,063	$ 24,209,144	$ 30,910,337	$ 4,854,633

Lufkin Independent School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System
Exhibit G-2

PLAN YEAR	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the NPL	0.0413%	0.0521%	0.0498%	0.0435%	0.0435%	0.0408%	0.0406%	0.0399%	0.0398%	0.0410%
District's proportionate share of the NPL	$ 25,207,353	$ 35,767,939	$ 29,562,742	$ 11,082,164	$ 23,282,683	$ 21,211,281	$ 22,334,885	$ 12,743,869	$ 15,023,180	$ 14,481,890
State share of the NPL associated with the district	38,940,411	41,708,245	42,094,935	20,191,201	42,241,592	36,851,015	40,654,051	24,122,414	28,891,803	28,512,444
TOTAL	$ 64,147,764	$ 77,476,184	$ 71,657,677	$ 31,273,365	$ 65,524,275	$ 58,062,296	$ 62,988,936	$ 36,866,283	$ 43,914,983	$ 42,994,334
District's covered-employee payroll	$ 59,971,555	$ 61,753,150	$ 61,794,104	$ 58,884,854	$ 57,405,227	$ 51,349,869	$ 50,277,113	$ 48,259,514	$ 47,407,377	$ 46,514,382
Proportionate share/covered payroll	42.03%	57.92%	47.84%	18.82%	40.56%	41.31%	44.42%	26.41%	31.69%	31.13%
Plan fiduciary net position/total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.40%

Lufkin Independent School District
Schedule Of the District Contributions
Teacher Retirement System
Exhibit G-3

FISCAL YEAR	2025	2024	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,325,518	$ 2,593,782	$ 2,295,850	$ 1,834,706	$ 1,793,812	$ 1,427,961	$ 1,366,667	$ 1,306,254	$ 1,263,147
Contributions to required contribution	(2,325,518)	(2,593,782)	(2,295,850)	(1,834,706)	(1,793,812)	(1,427,961)	(1,366,667)	(1,306,254)	(1,263,147)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 59,971,555	$ 61,753,150	$ 61,794,104	$ 58,884,854	$ 57,405,227	$ 51,349,869	$ 50,277,113	$ 48,259,514	$ 47,407,377
Contributions to covered payroll	3.88%	4.20%	3.72%	3.12%	3.12%	2.78%	2.72%	2.71%	2.66%

Lufkin Independent School District
Schedule of the District's Proportionate Share of OPEB Liability and District's OPEB Contributions Teacher Retirement System
Exhibit G-4

DISTRICT'S PROPORTIONATE SHARE OF LIABILITY *PLAN YEAR*	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the OPEBL	0.0618%	0.0726%	0.0698%	0.0657%	0.0656%	0.0642%	0.0640%	0.0610%
District's proportionate share of the OPEBL	$ 18,766,435	$ 16,067,901	$ 16,711,119	$ 25,355,809	$ 24,946,633	$ 30,338,758	$ 31,957,051	$ 26,543,032
State share of the OPEBL associated with the district	23,514,094	19,388,392	20,385,037	33,971,133	33,522,295	40,313,424	41,377,775	36,672,199
TOTAL	$ 42,280,529	$ 35,456,293	$ 37,096,156	$ 59,326,942	$ 58,468,928	$ 70,652,182	$ 73,334,826	$ 63,215,231
District's covered-employee payroll	$ 59,971,555	$ 61,753,150	$ 61,794,104	$ 58,884,854	$ 57,405,277	$ 51,349,869	$ 50,277,113	$ 48,259,514
Proportionate share/covered payroll	31.29%	26.02%	27.04%	43.06%	43.46%	59.08%	63.56%	55.00%
Plan fiduciary net position/total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

DISTRICT CONTRIBUTIONS *FISCAL YEAR*	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 455,394	$ 561,634	$ 611,896	$ 570,545	$ 507,632	$ 498,786	$ 455,417	$ 441,421
Contributions to required contribution	(455,394)	(561,634)	(611,896)	(570,545)	(507,632)	(498,786)	(455,417)	(441,421)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 46,867,891	$ 59,971,555	$ 61,753,150	$ 61,794,104	$ 58,884,854	$ 57,405,277	$ 51,349,869	$ 50,277,113
Contributions to covered payroll	0.97%	0.94%	0.99%	0.92%	0.86%	0.87%	0.87%	0.88%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Budget

The official budget was prepared for adoption for the general fund in accordance with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.

Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be increased at the fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal ten months ending as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at ten months ending.

Defined Benefit Pension and OPEB Plans

Changes of benefit terms - Pension and OPEB Plans

There were no changes of benefit terms during the measurement period.

Changes of assumptions and other inputs - Pension Plan

The actuarial assumptions and methods have been modified since the determination of the prior year's net pension liabilities. These new assumptions were adopted in conjunction with an actuarial experience study.

Changes of assumptions and other inputs - OPEB Plan

The discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024.

Lufkin Independent School District
Combining Balance Sheet Nonmajor Governmental Funds
Exhibit H-1

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
	ASSETS:			
1110	Cash and Cash Equivalent	$ 2,863,381	$ 7,755,275	$ 10,618,656
1225	Taxes Recievable, Net	-	476,267	476,267
1240	Due from Other Government	3,740,631	-	3,740,631
1260	Due from other funds	872,076	-	872,076
1290	Other Recievables	4,472	113,653	118,125
1300	Inventory	49,547	-	49,547
1000	Total Assets	$ 7,530,107	$ 8,345,195	$ 15,875,302
	LIABILITIES:			
	Current Liabilities:			
2110	Accounts Payable	151,914	3,616	155,530
2160	Accrued Wages Payable	85,746	-	85,746
2170	Due from other funds	3,626,288	-	3,626,288
2300	Due to state	1,814	-	1,814
2000	Total Liabilities	3,865,762	3,616	3,869,378
	DEFERRED INFLOWS			
2600	Deferred Revenue	-	476,267	476,267
	TOTAL LIABILITIES AND DEFERRED INFLOWS	3,865,762	479,883	4,345,645
	FUND BALANCES:			
3410	Nonspendable - Inventory	49,547	-	49,547
	Restricted Fund Balances:			
3450	Food Service	2,879,123	-	2,879,123
3420	Debt Service	-	7,865,312	7,865,312
3490	Other restricted	735,675	-	735,675
3000	Total Fund Balance	3,664,345	7,865,312	11,529,657
4000	Total Liabilities and Fund Balances	$ 7,530,107	$ 8,345,195	$ 15,875,302

See independent auditor's report

Lufkin Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds
Exhibit H-2

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
	REVENUES:			
5700	Local and Intermediate Sources	$ 820,373	$ 7,141,392	$ 7,961,765
5800	State Program Revenues	2,341,576	1,057,006	3,398,582
5900	Federal Program Revenues	11,966,835	-	11,966,835
5020	Total Revenues	15,128,784	8,198,398	23,327,182
	EXPENDITURES:			
0011	Instruction	4,002,272	-	4,002,272
0012	Instructional Resources and Media Services	38,719	-	38,719
0013	Curriculum and Staff Development	1,186,224	-	1,186,224
0021	Instructional Leadership	1,157,391	-	1,157,391
0023	School Leadership	927,179	-	927,179
0031	Guidance, Counseling, & Evaluation Services	238,967	-	238,967
0032	Social Work	57,214	-	57,214
0035	Food Services	5,201,534	-	5,201,534
0036	Cocurricular/Extracurricular Activities	130,499	-	130,499
0041	General Administration	20,956	-	20,956
0051	Plant Maintenance and Operations	812,253	-	812,253
0052	Security and Monitoring Services	738,747		738,747
0061	Community Services	58,231	-	58,231
0071	Debt Service	-	1,502,682	1,502,682
6030	Total Expenditures	14,570,186	1,502,682	16,072,868
1200	Net Change in Fund Balances	558,598	6,695,716	7,254,314
0100	Fund Balances - Beginning	3,105,747	1,169,596	4,275,343
3000	Fund Balances - Ending	$ 3,664,345	$ 7,865,312	$ 11,529,657

Lufkin Independent School District
Combining Balance Sheet Nonmajor Special Revenue Funds
Exhibit H-3

Data Control Codes		211 ESEA Title I	217 ESEA Title I Improv.	219 Title I Part D	224 IDEA B Formula	225 IDEA B Preschool	226 IDEA B Discretionary	240 Child Nutrition	242 Summer Feeding Program
	ASSETS:								
1110	Cash and Cash Equivalent	-	-	-	-	-	-	2,863,381	-
1240	Due from Other Government	733,888	10,196	11,193	404,818	17,652	164,212	-	108,568
1260	Due from other funds							121,092	-
1290	Other Recievables	-		-	-	-	-	-	-
1300	Inventory	-		-	-	-	-	49,547	-
1000	Total Assets	733,888	10,196	11,193	404,818	17,652	164,212	3,034,020	108,568
	LIABILITIES:								
	Current Liabilities:								
2110	Accounts Payable	20,937	3,280	380	12,375	799		19,604	27,066
2160	Accrued Wages Payable	-		-	-	-	-	85,746	-
2170	Due to other funds	712,951	6,916	10,813	392,443	16,853	164,212		81,502
2300	Unearned revenue								
2000	Total Liabilities	733,888	10,196	11,193	404,818	17,652	164,212	105,350	108,568
	FUND BALANCES:								
3410	Nonspendable - inventory						-	49,547	-
3450	Restricted for Food Service	-		-	-	-	-	2,879,123	-
3490	Other Reserved of Fund Balance	-		-	-	-	-	-	-
3000	Total Fund Balance	-	-	-	-	-	-	2,928,670	-
4000	Total Liabilities and Fund Balances	733,888	10,196	11,193	404,818	17,652	164,212	3,034,020	108,568

See independent auditor's report

Combining Balance Sheet Nonmajor Special Revenue Funds
Exhibit H-3 (Continued)

Data Control Codes		244 Vocational Education Basic Grant	255 Title II, Part A Training	263 Title III Part A LEP	265 21st Century Grant	270 Rural and Low income School	274 GEAR UP	287 Stronger Connection Grant	288 TITLE IV Part A
	ASSETS:								
1110	Cash and Cash Equivalent	-	-	-	-	-	-	-	-
1240	Due from Other Government	34,978	134,155	35,624	568,914	59,057	290,500	152,873	53,300
1260	Due from other funds							-	
1290	Other Recievables	-	-	-		-	-	-	-
1300	Inventory	-	-	-		-	-	-	-
1000	Total Assets	34,978	134,155	35,624	568,914	59,057	290,500	152,873	53,300
	LIABILITIES:								
	Current Liabilities:								
2110	Accounts Payable	564	3,063	1,028	13,785	1,484	24,031	720	1,392
2160	Accrued Wages Payable	-	-	-		-	-	-	-
2170	Due to other funds	34,414	131,092	34,596	555,129	57,573	266,469	152,153	51,908
2300	Unearned revenue						-		
2000	Total Liabilities	34,978	134,155	35,624	568,914	59,057	290,500	152,873	53,300
	FUND BALANCES:								
3410	Nonspendable - inventory	-	-	-	-	-	-	-	-
3450	Restricted for Food Service	-	-	-		-	-	-	-
3490	Other Reserved of Fund Balance	-	-	-		-	-	-	-
3000	Total Fund Balance	-	-	-	-	-	-	-	-
4000	Total Liabilities and Fund Balances	34,978	134,155	35,624	568,914	59,057	290,500	152,873	53,300

Data Control Codes		289 Title VI Part A Summer school	315 SSA IDEA - B Discretionary	340	410 Textbook Fund	427 Read to Succeed	429 Other State	435 SSA Regional Day School for Deaf	461 Campus Activity Fund
	ASSETS:								
1110	Cash and Cash Equivalent	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1240	Due from Other Government		17,173	158	(345)	700	822,280	120,737	-
1260	Due from other funds	1,329			345	-			266,658
1290	Other Recievables		-	-	-	-	-	-	3,512
1300	Inventory		-	-	-	-	-	-	-
1000	Total Assets	1,329	17,173	158	-	700	822,280	120,737	270,170
	LIABILITIES:								
	Current Liabilities:								
2110	Accounts Payable	215	456	-	-	-	-	2,628	8,924
2160	Accrued Wages Payable		-	-	-	-	-	-	-
2170	Due to other funds		16,717	158			822,280	118,109	-
2300	Unearned revenue	1,114				700			
2000	Total Liabilities	1,329	17,173	158	-	700	822,280	120,737	8,924
	FUND BALANCES:								
3410	Nonspendable - inventory	-	-	-	-	-	-	-	-
3450	Restricted for Food Service	-	-	-	-	-	-	-	-
3490	Other Reserved of Fund Balance	-	-	-	-	-	-	-	261,246
3000	Total Fund Balance	-	-	-	-	-	-	-	261,246
4000	Total Liabilities and Fund Balances	$ 1,329	$ 17,173	$ 158	$ -	$ 700	$ 822,280	$ 120,737	$ 270,170

See independent auditor's report

Lufkin Independent School District
Combining Balance Sheet Nonmajor Special Revenue Funds
Exhibit H-3 (Continued)

Data Control Codes		499 Scholarship Fund	Special Revenue Funds (See Exhibit H-1)
	ASSETS:		
1110	Cash and Cash Equivalent	$ -	$ 2,863,381
1240	Due from Other Government	-	3,740,631
1260	Due from other funds	482,652	872,076
1290	Other Recievables	960	4,472
1300	Inventory	-	49,547
1000	Total Assets	$ 483,612	$ 7,530,107
	LIABILITIES:		
	Current Liabilities:		
2110	Accounts Payable	9,183	151,914
2160	Accrued Wages Payable	-	85,746
2170	Due to other funds	-	3,626,288
2300	Unearned revenue		1,814
2000	Total Liabilities	9,183	3,865,762
	FUND BALANCES:		
3410	Nonspendable - inventory	-	49,547
3450	Restricted for Food Service	-	2,879,123
3490	Other Reserved of Fund Balance	474,429	735,675
3000	Total Fund Balance	474,429	3,664,345
4000	Total Liabilities and Fund Balances	$ 483,612	$ 7,530,107

See independent auditor's report

Combining Balance Sheet Nonmajor Special Revenue Funds

Exhibit H-4

Data Control Codes		211 ESEA Title I	217 ESEA Title I Improv.	219 Title I Part D	224 IDEA B Formula	225 IDEA B Preschool	226 IDEA B Discretionary	240 Child Nutrition	242 Summer Feeding Program
	REVENUES:								
5700	Local and Intermediate Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ 241,154	$ -
5800	State Program Revenues	-	-	-	-	-	-	168,549	-
5900	Federal Program Revenues	2,028,750	113,964	29,711	928,748	17,583	241,497	5,166,568	108,568
5020	Total Revenues	2,028,750	113,964	29,711	928,748	17,583	241,497	5,576,271	108,568
	EXPENDITURES:								
0011	Instruction	593,289	37,105	29,711	885,479	17,583	241,497	-	-
0012	Instructional Resources and Media Services	-		-	-	-	-	-	-
0013	Curriculum and Staff Development	905,723	73,579	-	-	-	-	-	-
0021	Instructional Leadership	107,651		-	25,929	-	-	-	-
0023	School Leadership	335,207	3,280	-	-	-	-	-	-
0031	Guidance, Counseling, & Evaluation Services	-		-	17,340	-	-	-	-
0032	Social Work	57,214		-	-	-	-	-	-
0035	Food Services	-		-	-	-	-	5,092,966	108,568
0036	Cocurricular/Extracurricular Activities	-		-	-	-	-	-	-
0041	General Administration	-		-	-	-	-	-	-
0051	Plant Maintenance and Operations	-		-	-	-	-	-	-
0052	Security and Monitoring Services								
0061	Community Services	29,666		-	-	-	-	-	-
6030	Total Expenditures	2,028,750	113,964	29,711	928,748	17,583	241,497	5,092,966	108,568
1200	Net Change in Fund Balances	-	-	-	-	-	-	483,305	-
0100	Fund Balances - Beginning	-	-	-	-	-	-	2,445,365	-
3000	Fund Balances - Ending	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,928,670	$ -

See independent auditor's report

Lufkin Independent School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Exhibit H-4 (Continued)

Data Control Codes		244 Vocational Education Basic Grant	255 Title II, Part A Training	263 Title III Part A LEP	265 21st Century Grant	270 Rural and Low income School	274 GEAR UP 2,012	287 Stronger Connection Grant	288 TITLE IV Part A
	REVENUES:								
5700	Local and Intermediate Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-	-	-	-	-
5900	Federal Program Revenues	121,358	387,691	104,023	1,322,142	184,869	689,435	277,041	192,706
5020	Total Revenues	121,358	387,691	104,023	1,322,142	184,869	689,435	277,041	192,706
	EXPENDITURES:								
0011	Instruction	121,358	340,258	103,178	596,964	160,989	216,693	-	-
0012	Instructional Resources and Media Services	-	-	-	-	-	-	-	-
0013	Curriculum and Staff Development	-	6,900	-	-	-	2,164	231	59,905
0021	Instructional Leadership	-	39,384	837	178,031	23,880	470,578	56,758	132,801
0023	School Leadership	-	-	-	546,436	-	-	-	-
0031	Guidance, Counseling, & Evaluation Services	-	-	-	-	-	-	219,090	-
0032	Social Work	-	-	-		-	-	-	-
0035	Food Services	-	-	-		-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-		-	-	-	-
0041	General Administration	-	-	-	-	-	-	-	-
0051	Plant Maintenance and Operations	-	-	-	-	-	-	-	-
0052	Security and Monitoring Services					-			
0061	Community Services	-	1,149	8	711	-	-	962	-
6030	Total Expenditures	121,358	387,691	104,023	1,322,142	184,869	689,435	277,041	192,706
1200	Net Change in Fund Balances	-	-	-	-	-	-	-	-
0100	Fund Balances - Beginning	-	-	-	-	-	-	-	-
3000	Fund Balances - Ending	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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Lufkin Independent School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Exhibit H-4 (Continued)

Data Control Codes		289 Title VI Part A Summer school	315 SSA IDEA - B Discretionary	340 SSA IDEA - B Discretionary	410 Textbook Fund	427 Read to Succeed	429 Other State	435 SSA Regional Day School for Deaf	461 Campus Activity Fund
	REVENUES:								
5700	Local and Intermediate Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 272,223
5800	State Program Revenues	-	-	-	105,056	2,800	1,791,905	273,266	-
5900	Federal Program Revenues	3,844	48,187	150	-	-	-	-	-
5020	Total Revenues	3,844	48,187	150	105,056	2,800	1,791,905	273,266	272,223
	EXPENDITURES:								
0011	Instruction	3,844	48,187	150	105,056	2,800	-	214,415	125,620
0012	Instructional Resources and Media Services	-	-	-	-	-	-	-	38,719
0013	Curriculum and Staff Development	-	-	-	-	-	137,722	-	-
0021	Instructional Leadership	-	-	-	-	-	62,535	58,851	156
0023	School Leadership	-	-	-	-	-	30,000	-	12,256
0031	Guidance, Counseling, & Evaluation Services	-	-	-	-	-	-	-	-
0032	Social Work		-	-	-	-	-	-	-
0035	Food Services		-	-	-	-	-	-	-
0036	Cocurricular/Extracurricular Activities		-	-	-	-	-	-	61,764
0041	General Administration		-	-	-	-	20,000	-	956
0051	Plant Maintenance and Operations		-	-	-	-	803,428	-	8,180
0052	Security and Monitoring Services						738,220		
0061	Community Services	-	-	-	-	-	-	-	2,861
6030	Total Expenditures	3,844	48,187	150	105,056	2,800	1,791,905	273,266	250,512
1200	Net Change in Fund Balances	-	-	-	-	-	-	-	21,711
0100	Fund Balances - Beginning	-	-	-	-	-	-	-	239,535
3000	Fund Balances - Ending	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 261,246

See independent auditor's report

Lufkin Independent School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Exhibit H-4 (Continued)

Data Control Codes		499 Scholarship Fund	Special Revenue Funds (See Exhibit H-1)
	REVENUES:		
5700	Local and Intermediate Sources	$ 306,996	$ 820,373
5800	State Program Revenues	-	2,341,576
5900	Federal Program Revenues	-	11,966,835
5020	Total Revenues	306,996	15,128,784
	EXPENDITURES:		
0011	Instruction	158,096	4,002,272
0012	Instructional Resources and Media Services	-	38,719
0013	Curriculum and Staff Development	-	1,186,224
0021	Instructional Leadership	-	1,157,391
0023	School Leadership	-	927,179
0031	Guidance, Counseling, & Evaluation Services	2,537	238,967
0032	Social Work	-	57,214
0035	Food Services	-	5,201,534
0036	Cocurricular/Extracurricular Activities	68,735	130,499
0041	General Administration	-	20,956
0051	Plant Maintenance and Operations	645	812,253
0052	Security and Monitoring Services	527	738,747
0061	Community Services	22,874	58,231
6030	Total Expenditures	253,414	14,570,186
1200	Net Change in Fund Balances	53,582	558,598
0100	Fund Balances - Beginning	420,847	3,105,747
3000	Fund Balances - Ending	$ 474,429	$ 3,664,345

Lufkin Independent School District
Combining Statement of Net Position
Nonmajor Enterprise Funds
Exhibit H-5

	ENTERPRISE FUNDS				
	711	712	713	714	TOTAL
	PANTHER BROADCASTING	PANTHER ADVERTISING	SPORTS FACITILITIES RENTAL	LHS GYM FUNDRAISING	NONMAJOR ENTERPRISE FUNDS (SEE EXHIBIT D-1)
ASSETS					
Current Assets:					
Cash and cash equivalents	$ -	$ -	$ -	$ (1,000)	$ (1,000)
Due from general fund	-	120,475	100,904	31,293	252,672
Other receivables	9,800	9,250	2,475	-	21,525
TOTAL CURRENT ASSETS	$ 9,800	$ 129,725	$ 103,379	$ 30,293	$ 273,197
LIABILITIES					
Current Liabilities:					
Accounts payable	485	3,244	815	250	4,794
Due to other funds	9,315	-	-	-	9,315
TOTAL CURRENT LIABILITIES	9,800	3,244	815	250	14,109
Noncurrent liabilities					-
TOTAL NONCURRENT LIABILITIES	-	-	-	-	-
TOTAL LIABILITIES	9,800	3,244	815	250	14,109
NET POSITION					
Restricted					-
Unrestricted	-	126,481	102,564	30,043	259,088
TOTAL NET POSITION	$ -	$ 126,481	$ 102,564	$ 30,043	$ 259,088

Lufkin Independent School District
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Nonmajor Enterprise Funds
Exhibit H-6

	ENTERPIRSE FUNDS				
	711	712	713	714	TOTAL
	PANTHER BROADCASTING	PANTHER ADVERTISING	SPORTS FACITILITIES RENTAL	LHS GYM FUNDRAISING	NONMAJOR ENTERPRISE FUNDS (SEE EXHIBIT D-1)
Operating Revenues:					
Local and intermediate	$ 104,057	$ 60,000	$ 117,041	$ 36,574	$ 317,672
State revenue	-	-	-	-	-
TOTAL OPERATING REVENUES	104,057	60,000	117,041	36,574	317,672
Operating Expenses:					
Payroll costs	67,812	-	45,074	-	112,886
Professional contracted service	28,307	30,699	31,114	-	90,120
Supplies and material	1,797	45,754	-	16,039	63,590
Miscellaneous operating costs	4,008	-	22,410	-	26,418
TOTAL OPERATING EXPENSES	101,924	76,453	98,598	16,039	293,014
OPERATING INCOME	2,133	(16,453)	18,443	20,535	24,658
Operating transfers in (out)	2,134	-	-	-	2,134
TOTAL NET OPERATING TRANSFERS	2,134	-	-	-	2,134
CHANGE IN NET POSITION	4,267	(16,453)	18,443	20,535	26,792
Beginning net position	(4,267)	142,934	84,121	9,508	232,296
NET POSITION, END OF YEAR	$ -	$ 126,481	$ 102,564	$ 30,043	$ 259,088

Lufkin Independent School District
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Exhibit H-7

	ENTERPRISE FUNDS				
	711	712	713	714	TOTAL
	PANTHER BROADCASTING	PANTHER ADVERTISING	SPORTS FACITILITIES RENTAL	LHS GYM FUNDRAISING	NONMAJOR ENTERPRISE FUNDS (SEE EXHIBIT D-1)
Cash Flows from Operating Activities	$ 103,057	60,000	114,566	36,574	$ 314,197
Cash received from user charges	(68,984)	15,489	(61,857)	-	(115,352)
Cash payments for employees	(36,207)	(75,489)	(52,709)	(37,574)	(201,979)
Cash payments for suppliers	(2,134)	-	-	(1,000)	(3,134)
NET CASH USED BY OPERATING ACTIVITIES					
Cash Flows From NonCapital Financing Activities:					
Advances from other funds	2,134	-	-	-	2,134
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITES	2,134	-	-	-	2,134
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-	-	(1,000)	(1,000)
Cash and cash equivalents - Beginning	-	-	-	-	-
CASH AND CASH EQUIVALENTS - ENDING	$ -	$ -	$ -	$ (1,000)	$ (1,000)
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:					
Operating income	2,133	(16,453)	18,443	20,535	24,658
Change in Due from general fund	-	15,489	(16,783)	(21,785)	(23,079)
Change in other Receivables	(1,000)	-	(2,475)	-	(3,475)
Change in accounts payable	(2,095)	964	815	250	(66)
Change in due to other funds	(1,172)	-	-	-	(1,172)
NET CASH USED BY OPERATING ACTIVITIES	$ (2,134)	$ -	$ -	$ (1,000)	$ (3,134)

Lufkin Independent School District
Schedule Of Delinquent Taxes Receivable
For Ten Months Ended June 30
Exhibit J-1

	Tax Rates									
	Maintenance	Debt Service	Appraised Value for tax purposes	Beginning Balance	Current Levy	Maintenance Collections	Debt Service Collections	Total Adjustments	Ending Balances	Total Taxes Refunded Under Section 26.1115(c)
2016 and Prior	Various	Various	Various	$ 433,351	$ -	$ 25,647	$ 2,901	$ (15,722)	$ 389,081	
2017	1.1700	0.4300	2,208,569,827	90,887	-	9,906	364	(2,999)	77,618	
2018	1.1700	0.4300	2,238,124,155	100,776	-	10,781	400	(3,389)	86,206	
2019	1.1700	0.2800	2,348,562,069	135,291	-	12,292	2,942	(3,672)	116,385	
2020	1.0683	0.2500	2,512,784,040	157,601	-	22,297	5,218	(2,676)	127,410	
2021	1.0381	0.2860	2,677,038,517	178,562	-	30,351	8,362	(4,414)	135,435	
2022	0.9913	0.2620	2,865,940,318	345,007	-	76,967	20,343	(6,042)	241,655	
2023	0.9485	0.2150	3,248,870,614	663,002	-	217,713	49,350	(35,815)	360,124	
2024	0.7575	0.1700	3,299,885,606	1,031,423	-	244,420	54,853	(146,920)	585,230	
2025	0.7552	0.2182	3,202,924,963	-	31,177,720	22,852,296	6,604,763	(433,012)	1,287,649	
				$ 3,135,900	$ 31,177,720	$ 23,502,670	$ 6,749,496	$ (654,661)	$ 3,406,793	
TOTAL REFUNDS										$ 16,839

See independent auditor's report

Lufkin Independent School District
Schedule Of Delinquent Taxes Receivable
For Twelve Months Ending August 31
Exhibit J-1 (Continued)

	Tax Rates Maintenance	Tax Rates Debt Service	Appraised Value for tax purposes	Beginning Balance	Current Levy	Maintenance Collections	Debt Service Collections	Total Adjustments	Ending Balances	Total Taxes Refunded Under Section 26.1115(c)
2016 and Prior	Various	Various	Various	$ 433,351	$ -	$ 27,627	$ 3,277	$ (12,264)	$ 390,183	
2017	1.1700	0.4300	2,208,569,827	90,887	-	10,361	398	(612)	79,516	
2018	1.1700	0.4300	2,238,124,155	100,776	-	11,239	440	(1,173)	87,924	
2019	1.1700	0.2800	2,348,562,069	135,291	-	13,254	3,189	(1,829)	117,019	
2020	1.0683	0.2500	2,512,784,040	157,601	-	25,015	5,873	(760)	125,953	
2021	1.0381	0.2860	2,677,038,517	178,562	-	32,662	9,004	(3,087)	133,809	
2022	0.9913	0.2620	2,865,940,318	345,007	-	78,641	20,804	(5,944)	239,618	
2023	0.9485	0.2150	3,248,870,614	663,002	-	223,260	50,721	(35,873)	353,148	
2024	0.7575	0.1700	3,299,885,606	1,031,423	-	281,229	63,368	(160,560)	526,266	
2025	0.7552	0.2182	3,202,924,963	-	31,177,720	23,090,288	6,673,530	(540,554)	873,348	
				$ 3,135,900	$ 31,177,720	$ 23,793,576	$ 6,830,604	$ (762,656)	$ 2,926,784	
TOTAL REFUNDS										$ 20,850

See independent auditor's report

Lufkin Independent School District
National School Breakfast and Lunch Program
Budgetary Comparison Schedule
Exhibit J-2

DATA CONTROL CODES		1 ORIGINAL BUDGET	2 FINAL BUDGET	3 ACTUAL	4 VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	$ 295,067	$ 295,067	$ 241,154	$ (53,913)
5800	State program revenues	76,413	76,413	168,549	92,136
5900	Federal program revenues	5,901,194	5,901,194	5,166,568	(734,626)
5020	TOTAL REVENUES	6,272,674	6,272,674	5,576,271	(696,403)
	Expenditures:				
0035	Food services	6,012,292	6,012,292	5,092,966	919,326
0081	capital assets	260,382	260,382	-	260,382
6030	TOTAL EXPENDITURES	6,272,674	6,272,674	5,092,966	1,179,708
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	483,305	483,305
100	Fund balance - Beginning	2,445,365	2,445,365	2,445,365	-
3000	FUND BALANCE - ENDING	$ 2,445,365	$ 2,445,365	$ 2,928,670	$ 483,305

Lufkin Independent School District
Debt Service Fund Budgetary Comparison Schedule
Exhibit J-3

DATA CONTROL CODES		1 ORIGINAL BUDGET	2 FINAL BUDGET	3 ACTUAL	4 VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	$ 7,004,294	$ 7,004,294	$ 7,141,392	$ 137,098
5800	State program revenues	-	-	1,057,006	1,057,006
5020	TOTAL REVENUES	7,004,294	7,004,294	8,198,398	1,194,104
	Expenditures:				
0071	Debit services	6,622,188	6,622,188	1,502,682	5,119,506
6030	TOTAL EXPENDITURES	6,622,188	6,622,188	1,502,682	5,119,506
1200	NET CHANGE IN FUND balance	382,106	382,106	6,695,716	6,313,610
100	Fund balance - Beginning	1,169,596	1,169,596	1,169,596	-
3000	FUND BALANCE - ENDING	$ 1,551,702	$ 1,551,702	$ 7,865,312	$ 6,313,610

		RESPONSES
Section A: Compensatory Education Programs		
Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.		
Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?		Yes
Does the district have written policies and procedures for its state compensatory education program?		Yes
Total state allotment funds received for state compensatory education programs during the district's fiscal year.	$	9,368,241
Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	$	3,848,465
Section B: Bilingual Education Programs		
Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.		
Did your district expend any bilingual education program state allotment funds during the district's fiscal year?		Yes
Does the district have written policies and procedures for its bilingual education program?		Yes
Total state allotment funds received for bilingual education programs during the district's fiscal year.	$	948,364
Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25 and 35)	$	560,215

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Lufkin Independent School District
Lufkin, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of and for the ten months ending June 30, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 15, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lufkin Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lufkin Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lufkin Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lufkin Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
January 15, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
Lufkin Independent School District
Lufkin, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lufkin Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lufkin Independent School District's major federal programs for the ten months ending June 30, 2025. Lufkin Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lufkin Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the ten months ending June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lufkin Independent School District and to meet our other ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lufkin Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lufkin Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lufkin Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lufkin Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lufkin Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Lufkin Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lufkin Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
January 15, 2026

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes _X_ No

Significant deficiency(s) identified that are not considered to be material weaknesses? ___ Yes _X_ None reported

Noncompliance material to financial statements noted? ___ Yes _X_ No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified? ___ Yes _X_ No

Significant deficiency(s) identified that are not considered to be material weaknesses? ___ Yes _X_ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? ___ Yes _X_ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.287	21st Century Learning

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? _X_ Yes ___ No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

Summary Schedule of Prior Audit Findings

FINDING/RECOMMENDATION	CURRENT STATUS	MANAGEMENT'S EXPLANATION IF NOT IMPLEMENTED
None		

There are no current year findings; therefore, a corrective action plan is not required.

Lufkin Independent School District
Schedule of Expenditures of Federal Awards
Exhibit K-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	FEDERAL ALN NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	Subrecipients
U.S. Department of Agriculture:				
Passed through State Department of Agriculture:				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	202524N109946	$ 1,239,147	$ -
National School Lunch Program	10.555	202524N109946	3,518,038	-
Total Child Nutrition Cluster			4,757,185	-
USDA Commodities (direct)	10.565		405,655	-
National School Lunch Program	10.555		3,728	
Summer Food Service Program	10.559		108,568	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			5,275,136	-
U.S. Department of Education:				
Passed through Texas Education Agency:				-
ESEA, Title I, Part A - Foundation	84.010A	S010A240043	2,130,044	-
ESEA, Title I, Part D - Prevention and Intervention	84.010A	S010A240043	31,227	-
ESEA, Title I, Part A - Improving Basic Programs	84.010A	S010A240043	119,643	-
Career and Technical Education - Basic Grant	84.048	V048A230043	127,550	-
Special Education (IDEA) Cluster				-
IDEA - Part B, Formula	84.027A	H027A230008	975,647	-
IDEA - Part B, SSA Discretionary	84.027	H027A230008	50,646	-
IDEA- Part B, Preschool	84.173A	H173A240004	18,480	-
IDEA - Part B, SSA Discretionary	84.027A	H027A240008	241,497	-
Total Special Education Cluster			1,286,270	-
ESEA, Titile V, Part B, Subpart 2 - Rural & Low Income School Grant Programs	84.358	N/A	194,333	-
ESEA, Title III, Part A - Teacher & Principal Training & Recruitment	84.365	N/A	109,330	-
ESEA, Title II, Part A - Teacher & Principal Training and Recruitment	84.367	5367A250041	368,382	-
ESEA, Title II, Part A - Teacher & Principal Training and Recruitment	84.367	5424A250045	39,089	-
Stronger Connectivity Grant	84.424	N/A	202,538	-
ESEA, Title IV, Part A, Subpart 1 - Student Support & Academic Enrichment	84.424	N/A	291,121	-
TCLASS ESSER III	84.425U	N/A	5,461	-
Title IV, Part A, Subpart 1	84.424A	N/A	3,844	-
Shared Services Arrangement - IDEA - Part C Early Intervention	84.181A	N/A	158	-
Title IV, Part B - 21st Century Community Learners Centers	84.287	S287C230044	1,389,540	-
Direct Program:				-
Gaining Early Awareness & Readiness for Undergraduate Programs	84.334	N/A	413,361	-
Passed through the University of Texas:				-
Gaining Early Awareness & Readiness for Undergraduate Programs	84.334	25610101003903	296,300	-
TOTAL PASS THROUGH STATE DEPARTMENT OF EDUCATION			7,008,191	-
TOTAL U.S. DEPARTMENT OF EDUCATION			7,008,191	-
U.S. Department of Health and Human Services:				
Passed through Texas Health & Human Services Commission:				
Medicaid Administrative Claiming	93.778	HHS000537900187	5,046	-
Total U.S. Department of Health and Human Services			5,046	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 12,288,373	$ -

RECONCILIATION TO FEDERAL REVENUE PER C-2	
TOTAL EXPENDITURE OF FEDERAL AWARDS	$ 12,288,373
Other Federal Programs:	
Passed through Texas Health and Human Services Commission:	
Federal Forest Funds	1,709
School Health and Related Services	52,568
TOTAL OTHER FEDERAL PROGRAMS	54,277
TOTAL FEDERAL REVENUE PER EXHIBIT C-2	$ 12,342,650

See notes to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lufkin Independent School District (District) under programs of the federal government for the ten months ending June 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the district, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the Schedule.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Lufkin Independent School District
Schedule of Required Responses to Selected School First Indicators
Exhibit L-1

DATA CONTROL CODES		RESPONSES
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	$ -

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

This disclosure statement provides information relating to the program (the "Guarantee Program") administered by the Texas Education Agency (the "TEA") with respect to the Texas Permanent School Fund guarantee of tax-supported bonds issued by Texas school districts and the guarantee of revenue bonds issued by or for the benefit of Texas charter districts. The Guarantee Program was authorized by an amendment to the Texas Constitution in 1983 and is governed by Subchapter C of Chapter 45 of the Texas Education Code, as amended (the "Act"). While the Guarantee Program applies to bonds issued by or for both school districts and charter districts, as described below, the Act and the program rules for the two types of districts have some distinctions. For convenience of description and reference, those aspects of the Guarantee Program that are applicable to school district bonds and to charter district bonds are referred to herein as the "School District Bond Guarantee Program" and the "Charter District Bond Guarantee Program," respectively.

Some of the information contained in this Section may include projections or other forward-looking statements regarding future events or the future financial performance of the Texas Permanent School Fund (the "PSF" or the "Fund"). Actual results may differ materially from those contained in any such projections or forward-looking statements.

The regular session of the 89th Texas Legislature (the "Legislature") convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025, and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025, and ended on September 4, 2025 (the regular session together with the special sessions may hereinafter be referred to as the "89th Legislative Session"). The TEA, the State Board of Education (the "SBOE"), and the Texas Permanent School Fund Corporation (the "PSF Corporation") are in the process of monitoring the implementation of legislation signed by the Governor and make no representation regarding any actions taken by the Legislature in the 89th Legislative Session that may materially impact themselves, the Guarantee Program, the Act, and Texas school finance in general.

History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a $2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be "permanent," and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

On November 8, 1983, the voters of the State approved a constitutional amendment that provides for the guarantee by the PSF of bonds issued by school districts. On approval by the State Commissioner of Education (the "Education Commissioner"), bonds properly issued by a school district are fully guaranteed by the PSF. See "The School District Bond Guarantee Program."

In 2011, legislation was enacted that established the Charter District Bond Guarantee Program as a new component of the Guarantee Program. That legislation authorized the use of the PSF to guarantee revenue bonds issued by or for the benefit of certain open-enrollment charter schools that are designated as "charter districts" by the Education Commissioner. On approval by the Education Commissioner, bonds properly issued by a charter district participating in the Guarantee Program are fully guaranteed by the PSF. The Charter District Bond Guarantee Program became effective on March 3, 2014. See "The Charter District Bond Guarantee Program."

State law also permits charter schools to be chartered and operated by school districts and other political subdivisions, but bond financing of facilities for school district-operated charter schools is subject to the School District Bond Guarantee Program, not the Charter District Bond Guarantee Program.

While the School District Bond Guarantee Program and the Charter District Bond Guarantee Program relate to different types of bonds issued for different types of Texas public schools, and have different program regulations and requirements, a bond guaranteed under either part of the Guarantee Program has the same effect with respect to the guarantee obligation of the Fund thereto, and all guaranteed bonds are aggregated for purposes of determining the capacity of the Guarantee Program (see "Capacity Limits for the Guarantee Program"). The Charter District Bond Guarantee Program as enacted by State law has not been reviewed by any court, nor has the Texas Attorney General (the "Attorney General") been requested to issue an opinion, with respect to its constitutional validity.

Audited financial information for the PSF is provided annually through the PSF Corporation's Annual Comprehensive Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Texas School Land Board's (the "SLB") land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message From the Chief Executive Officer of the PSF Corporation (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2025, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2025, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2025, and for a description of the financial results of the PSF for the year ended August 31, 2025, the most recent year for which audited financial information regarding the Fund is available. The 2025 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2025 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at https://texaspsf.org and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities as required by Section 13(f), are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

The Texas Constitution and applicable statutes delegate to the SBOE and the PSF Corporation the authority and responsibility for investment of the PSF's financial assets. The SBOE consists of 15 members who are elected by territorial districts in the State, generally, to four-year terms of office. The PSF Corporation is a special-purpose governmental corporation and instrumentality of the State entitled to sovereign immunity, and is governed by a nine-member board of directors (the "PSFC Board"), which consists of five members of the SBOE, the Land Commissioner, and three appointed members who have substantial background and expertise in investments and asset management, with one member being appointed by the Land Commissioner and the other two appointed by the Governor with confirmation by the Senate.

The PSF's non-financial real assets, including land, mineral and royalty interests, and individual real estate holdings, are held by the GLO and managed by the SLB. The SLB is required to send PSF mineral and royalty revenues to the PSF Corporation for investment, less amounts specified by appropriation to be retained by the SLB.

The Texas Constitution provides that the Fund shall be managed through the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard"). In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment, and the Fund is managed as an endowment fund with a long-term investment horizon. For a detailed description of the PSFC Board's investment objectives, as well as a description of the PSFC Boards's roles and responsibilities in managing and administering the Fund, see the IPS and Board meeting materials (available on the PSF Corporation's website).

As described below, the Total Return Constitutional Amendment restricts the annual pay-out from the Fund to both (i) 6% of the average of the market value of the Fund, excluding real property, on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, and (ii) the total-return on all investment assets of the Fund over a rolling ten-year period.

By law, the Education Commissioner is appointed by the Governor, with Senate confirmation, and assists the SBOE, but the Education Commissioner can neither be hired nor dismissed by the SBOE. The PSF Corporation has internal and external legal counsel to advise it as to its duties with respect to the Fund, including specific actions regarding the investment of the PSF to ensure compliance with fiduciary standards, and to provide transactional advice in connection with the investment of Fund assets in non-traditional investments. TEA's General Counsel provides legal advice to the SBOE but will not provide legal advice directly to the PSF Corporation.

The Total Return Constitutional Amendment shifted administrative costs of the Fund from the ASF to the PSF, providing that expenses of managing the PSF are to be paid "by appropriation" from the PSF. In January 2005, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0293 (2005), stating that the Total Return Constitutional Amendment does not require the SBOE to pay from such appropriated PSF funds the indirect management costs deducted from the assets of a mutual fund or other investment company in which PSF funds have been invested.

The Act requires that the Education Commissioner prepare, and the SBOE approve, an annual status report on the Guarantee Program (which is included in the Annual Report). The State Auditor or a certified public accountant audits the financial statements of the PSF, which are separate from other financial statements of the State. Additionally, not less than once each year, the PSFC Board must submit an audit report to the Legislative Budget Board ("LBB") regarding the operations of the PSF Corporation. The PSF Corporation may contract with a certified public accountant or the State Auditor to conduct an independent audit of the operations of the PSF Corporation, but such authorization does not affect the State Auditor's authority to conduct an audit of the PSF Corporation in accordance with State laws.

For each biennium, beginning with the 2024-2025 State biennium, the PSF Corporation is required to submit a legislative appropriations request ("LAR") to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation to carry out its responsibilities for the investment management of the Fund. The appropriated funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2026 and 2027. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a "total-return-based" approach that provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding State fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve "intergenerational equity." The definition of intergenerational equity that the SBOE has generally followed is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this determination, the SBOE takes into account various considerations, and relies upon PSF Corporation and TEA staff and external investment consultants, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

The Texas Constitution also provides authority to the GLO or another entity (described in statute as the SLB or the PSF Corporation) that has responsibility for the management of revenues derived from land or other properties of the PSF to determine whether to transfer an amount each year to the ASF from the revenue derived during the current year from such land or properties. The Texas Constitution limits the maximum transfer to the ASF to $600 million in each year from the revenue derived during that year from the PSF from the GLO, the SBOE or another entity to the extent such entity has the responsibility for the management of revenues derived from such land or other properties. Any amount transferred to the ASF pursuant to this constitutional provision is excluded from the 6% Distribution Rate limitation applicable to SBOE transfers.

The following table shows amounts distributed to the ASF from the portions of the Fund administered by the SBOE (the "PSF(SBOE)"), the PSF Corporation (the "PSF(CORP)"), and the SLB (the "PSF(SLB)").

Annual Distributions to the Available School Fund[1]

Fiscal Year Ending	2016	2017	2018	2019	2020	2021	2022	2023[2]	2024	2025
PSF(CORP) Distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$2,076	$2,156	$2,156
PSF(SBOE) Distribution	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-	-
PSF(SLB) Distribution	-	-	-	300	600	600[3]	415	115	-	-
Per Student Distribution	215	212	247	306	347	341	432	440	430	428

1 In millions of dollars. Source: Annual Report for year ended August 31, 2025.
2 Reflects the first fiscal year in which distributions were made by the PSF Corporation.
3 In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

In November 2024, the SBOE approved a $3.6 billion distribution to the ASF for State fiscal biennium 2026-2027. In making its determination of the 2026-2027 Distribution Rate, the SBOE took into account the planned distribution to the ASF by the PSF Corporation of $1.2 billion for the biennium.

Efforts to achieve the intergenerational equity objective, as described above, result in changes in the Distribution Rate for each biennial period. The following table sets forth the Distribution Rates announced by the SBOE in the fall of each even-numbered year to be applicable for the following biennium.

State Fiscal Biennium	2010-11	2012-13	2014-15	2016-17	2018-19	2020-21	2022-23	2024-25	2026-27
SBOE Distribution Rate[1]	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

[1] Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the PSF Corp approved transfers of $600 million per year directly to the ASF for fiscal biennium 2026-27.

PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. The IPS includes a combined asset allocation for all Fund assets and allows for the use of derivatives and other leverage. The IPS provides that the Fund's investment objectives are as follows:

- Generate continuous distributions for the benefit of public schools in Texas;
- Maintain purchasing power, after spending, inflation, and student population growth, in order to maintain intergenerational equity with respect to distributions;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support distributions and BGP obligations; and
- Strive to maintain a AAA credit rating, as assigned by a Nationally Recognized Securities Rating Organization.

The table below sets forth the current strategic asset allocation of the Fund that was adopted, effective January 1, 2026 (which is subject to change from time to time):

Asset Class	Target Allocation	Range[1]
Cash Equivalent	3.0%	n/a
Core Bonds	9.0%	+/- 5.0%
Non-Core Bonds (High Yield)	3.0%	+/- 5.0%
Non-Core Bonds (Bank Loans)	3.0%	+/- 5.0%
Large Cap U.S. Equity	15.0%	+/- 5.0%
Small/Mid-Cap U.S. Equity	3.0%	+/- 5.0%
Non-U.S. Developed Equity	8.0%	+/- 5.0%
Absolute Return	6.0%	+/- 5.0%
Private Debt (Liquid Substitute)	9.5%	+/- 5.0%
Private Equity (Liquid Substitute)	20.0%	+/- 10.0%
Real Estate	10.5%	+/- 5.0%
Natural Resources	4.0%	+/- 5.0%
Infrastructure	6.0%	+/- 5.0%

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2024 and 2025, as set forth in the Annual Report for the 2025 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF(SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2025 and 2024

ASSET CLASS	August 31, 2025	August 31, 2024	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$3,732.4	$ 3,651.3	$81.1	2.2%
Domestic Large Cap	7,860.0	8,084.6	(224.6)	-2.7%
Total Domestic Equity	11,592.4	11,735.9	(143.5)	-1.2%
International Equity	5,093.7	4,131.1	962.6	23.3%
TOTAL EQUITY	16,686.1	15,867.0	819.1	5.2%
FIXED INCOME				
Domestic Fixed Income	-	-	-	-
US Treasuries	-	-	-	-
Core Bonds	5,464.4	8,151.6	(2,687.2)	-33.0%
Bank Loans	3,908.4	2,564.1	1,344.3	52.4%
High Yield Bonds	1,569.2	2,699.5	(1,130.3)	-41.9%
Emerging Market Debt	-	-	-	-
TOTAL FIXED INCOME	10,942.0	13,415.2	(2,473.2)	-18.4%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,247.4	3,106.0	141.4	4.6%
Real Estate	6,300.8	6,101.0	199.8	3.3%
Private Equity	12,170.5	8,958.8	3,211.7	35.9%
Emerging Manager Program	-	-	-	-
Real Return	-	-	-	-
Private Credit	3,884.3	2,257.9	1,626.4	72.0%
Real Assets	5,525.2	4,648.1	877.1	18.9%
TOT ALT INVESTMENTS	31,128.2	25,071.8	6,056.4	24.2%
UNALLOCATED CASH	1,335.0	2,583.2	(1,248.2)	-48.3%
TOTAL PSF(CORP) INVESTMENTS	$ 60,091.3	$ 56,937.2	$ 3,154.1	5.5%

Source: Annual Report for year ended August 31, 2025.

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2025.

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2025

Investment Type	As of 8-31-25		
Investments in Real Assets			
Sovereign Lands	$ 279.84		
Discretionary Internal Investments	989.22		
Other Lands	153.17		
Minerals [(2), (3)]		4,872.77	[(6)]
Total Investments[(4)]		$6,294.99	
Cash in State Treasury [(5)]		575.70	
Total Investments & Cash in State Treasury	$ 6,870.70		

[1] Unaudited figures from Table 5 in the FY 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.
[2] Historical Cost of investments at August 31, 2025 was: Sovereign Lands $838,676.44; Discretionary Internal Investments $830,739,719.64; Other Lands $37,306,005.32; and Minerals $13,437,552.03.
[3] Includes an estimated 1,000,000.00 acres in freshwater rivers.
[4] Includes an estimated 1,747,600.00 in excess acreage.
[5] Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.
[6] Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

The asset allocation of the Fund's financial assets portfolio is subject to change by the PSF Corporation from time to time based upon a number of factors, including recommendations to the PSF Corporation made by internal investment staff and external consultants. Fund performance may also be affected by factors other than asset allocation, including, without limitation, the general performance of the securities markets and other capital markets in the United States and abroad, which may be affected by different levels of economic activity; decisions of political officeholders; significant adverse weather events; development of hostilities in and among nations; cybersecurity threats and events; changes in international trade policies or practices; application of the Prudent Person Standard, which may eliminate certain investment opportunities for the Fund; management fees paid to external managers and embedded management fees for some fund investments; and PSF investment or operational limitations impacted by Texas law or legislative appropriation. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Education Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

In the event of default, holders of guaranteed school district bonds will receive all payments as and when may become due from the corpus of the PSF. Following a determination that a school district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires the school district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment. Immediately following receipt of such notice, the Education Commissioner must cause to be transferred from the appropriate account in the PSF to the Paying Agent/Registrar an amount necessary to pay the maturing or matured principal and interest, as applicable. Upon receipt of funds for payment of such principal or interest, the Paying Agent/Registrar must pay the amount due and forward the canceled bond or evidence of payment of the interest to the State Comptroller of Public Accounts (the "Comptroller"). The Education Commissioner will instruct the Comptroller to withhold the amount paid, plus interest, from the first State money payable to the school district. The amount withheld pursuant to this funding "intercept" feature will be deposited to the credit of the PSF. The Comptroller must hold such canceled bond or evidence of payment of the interest on behalf of the PSF. Following full reimbursement of such payment by the school district to the PSF with interest, the Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

If a school district fails to pay principal or interest on a bond as it is stated to mature, other amounts not due and payable are not accelerated and do not become due and payable by virtue of the district's default. The School District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a school district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed school district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond order provision requiring an interest rate change. The guarantee does not extend to any obligation of a school district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event that two or more payments are made from the PSF on behalf of a district, the Education Commissioner shall request the Attorney General to institute legal action to compel the district and its officers, agents and employees to comply with the duties required of them by law in respect to the payment of guaranteed bonds.

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding bonds issued by school districts, a requirement that the bonds produce debt service savings. The SDBGP Rules include certain accreditation criteria for districts applying for a guarantee of their bonds, and limit guarantees to districts that have less than the amount of annual debt service per average daily attendance that represents the 90th percentile of annual debt service per average daily attendance for all school districts, but such limitation will not apply to school districts that have enrollment growth of at least 25% over the previous five school years. The SDBGP Rules are codified in the Texas Administrative Code at 19 TAC section 33.6 and are available at https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program.

The Charter District Bond Guarantee Program

The Charter District Bond Guarantee Program became effective March 3, 2014. The SBOE published final regulations in the Texas Register that provide for the administration of the Charter District Bond Guarantee Program (the "CDBGP Rules"). The CDBGP Rules are codified at 19 TAC section 33.7 and are available at https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program.

The Charter District Bond Guarantee Program has been authorized through the enactment of amendments to the Act, which provide that a charter holder may make application to the Education Commissioner for designation as a "charter district" and for a guarantee by the PSF under the Act of bonds issued on behalf of a charter district by a non-profit corporation. If the conditions for the Charter District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2026 fiscal year, the ratio is 8.17%. At February 23, 2026, there were 182 active open-enrollment charter schools in the State and there were 1,027 charter school campuses authorized under such charters, though as of such date, 41 of such campuses are not currently serving students for various reasons; therefore, there are 986 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Education Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event of default, holders of guaranteed charter district bonds will receive all payments as and when they become due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest, as applicable. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest, as applicable. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of $500,000 the proceeds of which loans were used for a purpose described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the Attorney General (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

The CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Education Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the "CDBGP Capacity") is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See "Capacity Limits for the Guarantee Program." Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the "State Capacity Limit") and that imposed by regulations and a notice issued by the IRS (the "IRS Limit", with the limit in effect at any given time being the "Capacity Limit"). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 after the IRS updated regulations relating to the PSF and similar funds.

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See "Valuation of the PSF and Guaranteed Bonds" below.

Since September 2015, the SBOE has periodically voted to change the capacity multiplier as shown in the following table.

Changes in SBOE-determined multiplier for State Capacity Limit

Date	Multiplier
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

Since December 16, 2009, the IRS Limit was a static limit set at 500% of the total cost value of the assets held by the PSF as of December 16, 2009; however, on May 10, 2023, the IRS released Notice 2023-39 (the "IRS Notice"), stating that the IRS would issue regulations amending the existing regulations to amend the calculation of the IRS limit to 500% of the total cost value of assets held by the PSF as of the date of sale of new bonds, effective as of May 10, 2023.

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2025 the cost value of the Guarantee Program was $51,913,224,643 (unaudited), thereby producing an IRS Limit of $259,566,123,215 in principal amount of guaranteed bonds outstanding.

As of December 31, 2025, the estimated State Capacity Limit is $181,696,286,251, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

Since July 1991, when the SBOE amended the Guarantee Program Rules to broaden the range of bonds that are eligible for guarantee under the Guarantee Program to encompass most Texas school district bonds, the principal amount of bonds guaranteed under the Guarantee Program has increased sharply. In addition, in recent years a number of factors have caused an increase in the amount of bonds issued by school districts in the State. See the table "Permanent School Fund Guaranteed Bonds" below. Effective March 1, 2023, the Act provides that the SBOE may establish a percentage of the Capacity Limit to be reserved from use in guaranteeing bonds (the "Capacity Reserve"). The SDBGP Rules provide for a maximum Capacity Reserve for the overall Guarantee Program of 5% and provide that the amount of the Capacity Reserve may be increased or decreased by a majority vote of the SBOE based on changes in the cost value, asset allocation, and risk in the portfolio, or may be increased or decreased by the Education Commissioner as necessary to prudently manage fund capacity and preserve the AAA credit rating of the Guarantee Program (subject to ratification or rejection by the SBOE at the next meeting for which an item can be posted). The CDBGP Rules provide for an additional reserve of CDBGP Capacity determined by calculating an equal percentage as established by the SBOE for the Capacity Reserve, applied to the CDBGP Capacity. Effective March 1, 2023, the Capacity Reserve is 0.25%. The Capacity Reserve is noted in the monthly updates with respect to the capacity of the Guarantee Program on the PSF Corporation's web site at https://texaspsf.org/monthly-disclosures/, which are also filed with the MSRB.

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

No representation is made as to how the capacity will remain available, and the capacity of the Guarantee Program is subject to change due to a number of factors, including changes in bond issuance volume throughout the State and some bonds receiving guarantee approvals may not close. If the amount of guaranteed bonds approaches the State Capacity Limit, the SBOE or Education Commissioner may increase the State Capacity Limit multiplier as discussed above.

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit less the amount of outstanding bond guarantees under the Guarantee Program multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population. SB 1480 amended the CDBGP Capacity calculation so that the Capacity Limit is multiplied by the percentage of charter district scholastic population relative to the total public school scholastic population prior to the subtraction of the outstanding bond guarantees, thereby increasing the CDBGP Capacity.

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.86% in December 2025. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner's investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At December 31, 2025, the Charter District Reserve Fund contained $153,914,605, which represented approximately 2.61% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSFSF.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Ratings, S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

Fiscal Year Ended 8/31	Book Value(1)	Market Value(1)
2021	$38,699,895,545	$55,582,252,097
2022	42,511,350,050	56,754,515,757
2023	43,915,792,841	59,020,536,667
2024	47,047,688,784	62,766,382,537
2025(2)	50,832,583,937	66,549,781,438

(1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

(2) At August 31, 2025, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately $13.4 million, $0.8 million, $37.3 million, and $830.7 million, respectively, and market values of approximately $4,872.7 million, $279.8 million, $153.1 million, and $989.2 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2021	$95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603
2025	143,940,955,098[2]

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
(2) At August 31, 2025 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $230,761,751,555, of which $86,820,796,457 represents interest to be paid. As shown in the table above, at August 31, 2025, there were $143,940,955,098 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $181,696,286,251 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2025, 7.86% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2025, the amount of outstanding bond guarantees represented 79.16% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)
2021	3,346	$91,951,175,922	83	$3,307,986,000	3,429	$95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603
2025[2]	3,444	138,140,381,098	113	5,800,574,000	3,557	143,940,955,098

(1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
(2) At December 31, 2025 (based on unaudited data, which is subject to adjustment), there were $143,822,038,077 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,456 school district issues, aggregating $137,938,824,077 in principal amount and 114 charter district issues, aggregating $5,883,214,000 in principal amount. At December 31, 2025 the projected guarantee capacity available was $32,174,623,697 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2025

The following discussion is derived from the Annual Report for the year ended August 31, 2025, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSF Corporation are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2025, the PSF(CORP) net position was $60.6 billion. During the year, the PSF(CORP) continued updating and implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation aims to pursue the objectives of the Fund at an acceptable risk level. The PSF(CORP) is invested in global markets and liquid and illiquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2025, net of fees, were 8.20%, 7.95%, and 7.40%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2025.

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private credit , absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2025 Annual Report which is included by reference herein.

PSF Returns Fiscal Year Ended 8-31-2025[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(CORP) Portfolio	8.20	7.78
Domestic Large Cap Equities	14.50	15.88
Domestic Small/Mid Cap Equities	7.64	5.80
International Equities	16.16	14.89
Private Credit	6.87	9.26
Core Bonds	4.02	3.14
Absolute Return	14.98	6.90
Real Estate	0.14	0.97
Private Equity	8.17	8.61
High Yield	8.18	8.26
Natural Resources	2.31	0.39
Infrastructure	15.06	8.79
Bank Loans	7.76	7.36
Short Term Investment Portfolio	6.06	4.51

[1] Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2025.
[2] Benchmarks are as set forth in the Annual Report for year ended August 31, 2025.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2025, $2.2 billion was distributed to the ASF, $600 million of which was distributed by the PSF(CORP) on behalf of the SLB.

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

In addition, the SLB and GLO have established processes and controls over the administration of real estate transactions and are subject to provisions of the Texas Natural Resources Code and internal procedures in administering real estate transactions for Fund assets it manages.

As of August 31, 2025, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

As of March 1, 2023, the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program, is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at available at https://tea.texas.gov/sites/default/files/ch033a.pdf.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org, and the continuing disclosure filings of the TEA with respect to the PSF can be found at https://emma.msrb.org/IssueView/Details/ER355077 or by searching for "Texas Permanent School Fund Bond Guarantee Program" on EMMA.

Annual Reports

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information also includes the Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately und different bases of accounting.

The PSF Corporation reports as a special-purpose government engaged in business-type activities and reports to the State of Texas as a discretely presented component unit accounted for on an economic resources measurement focus and the accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund's non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

The State's current fiscal year end is August 31. Accordingly, the TEA and the PSF Corporation must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA and PSF Corporation will notify the MSRB of the change.

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.)

In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The TEA and the PSF Corporation have agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at www.emma.msrb.org.

Limitations and Amendments

The TEA and the PSF Corporation have agreed to update information and to provide notices of material events only as described above. The TEA and the PSF Corporation have not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The TEA and the PSF Corporation make no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The TEA and the PSF Corporation disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the TEA and the PSF Corporation to comply with its agreement.

The continuing disclosure agreement is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in this offering document.

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents. On March 31, 2025, the TEA and the PSF Corporation became aware that the 2022 operating data was not timely filed with EMMA due to an administrative oversight. TEA and PSF Corporation took corrective action and filed a notice of late filing with EMMA on April 4, 2025. The annual operating data was previously posted to EMMA on March 31, 2023.

SEC Exemptive Relief

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than $10 million of outstanding municipal securities.

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